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9 September 1983

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2446

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## EAST EUROPE REPORT

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REPORT ON SEMIANNUAL PLAN FULFILLMENT

Sofia RABOTNICHESKO DELO in Bulgarian 27 Jul 83 pp 1, 2

[Press release of Committee on Integrated Social Information System of Council of Ministers on results of fulfillment of Integrated Plan for Socioeconomic Development of the Country during first half of 1983: "Stably, Dynamically, Intensively"]

[Text] During the first half of the third year of the Eighth Five-Year Plan the labor forces of all sectors of the national economy continued to implement the decisions of the 12th Congress of the Bulgarian Communist Party.

The semiannual plan was fulfilled and overfulfilled in respect of the basic indicators characterizing the country's socioeconomic development.

As compared with the first half of 1982, the social productivity of labor increased 6.3 percent and provided 83 percent of the increase of net output in the economic organizations. There were increases, as follows, of 6.0 percent in the marketable goods produced by planned industry, 4.5 percent in the total output of animal husbandry in agricultural organizations, 6.3 percent in the construction and installation work done by construction organizations, 3.6 percent in retail goods turnover. The programs for additional economies of material resources were fulfilled. An above-plan lowering of material expenditures was achieved.

The semiannual plan in the area of science and technical progress was fulfilled. Three hundred mechanized and automated flow lines were adopted in industry. Full mechanization and automation were adopted in 165 sections, workshops and plants. Over 9000 workers were transferred from manual to mechanized labor.

Industry

The economic organizations and enterprises of industry overfulfilled the plan for the production and sale of output. The volume of output increased 1,058,000,000 leva over the first half of 1982.

## COMMODITY INDUSTRIAL OUTPUT PRODUCED

Economic organizations within ministries and other departments	1st half of 1983 as % of 1st half of 1982
Power Supply	103.4
Chemical Industry	109.2
Metallurgy and Mineral Resources	101.2
Machine Building and Electronics	111.6
Light Industry	102.1
National Agroindustrial Union	105.0
Forests and Forest Industry	100.2
Construction and Architecture	103.8
Transportation	106.7
Communications	114.5
Internal Trade and Public Services	103.2
Central Cooperative Union	106.8
Capital City People's Council	114.4

All okrugs overfulfilled the plan for the production of commodity industrial output. More significant production increases were achieved by industrial enterprises in the following okrugs: Shumen, Sofia Okrug, Razgrad, Stara Zagora, Burgas, Ruse.

There were increases in the number of a basic industrial products, by virtue of which larger quantities of important producer goods and commodities for the internal market and for export were provided.

## PRODUCTION OF CERTAIN BASIC INDUSTRIAL PRODUCTS

Industrial products	1st half of 1983 as % of 1st half of 1982
Electric power	106.4
Coal	96.2
Rolled ferrous metal products	94.8
Steel tubes	100.7
Electrotelphers	103.4
Battery-powered trucks	98.3
Motor trucks	124.6
Nitrogen fertilizers	104.4
Soda ash	94.4
Polyvinyl chloride	128.1
Synthetic fibers and threads	96.9
Cement	102.3
Furniture	105.7
Cotton and cotton-type fabrics	101.3

[Continued]

Industrial products	1st half of 1983 as % of 1st half of 1982
Woolen and woolen-type fabrics	100.7
Silk and silk-type fabrics	107.0
Shoes (excluding rubbers and houseslippers)	94.5
Meat	107.9
Meat products	107.4
Brynza [sheep's milk cheese]	109.3
Kashkaval [yellow cheese]	108.5

individual economic organizations and enterprises failed to fully provide targeted production of the following: solid rolled shapes, cold-rolled sheet steel, furnace coke, industrial robots, lathes, trucks, combines, drill seeders, polyvinyl chloride, phosphorus fertilizers, bricks, roof- and ridge-tiles, paper pulp, beer, mixed feed.

#### Capital Investment and Construction

Some 2,854,000,000 leva was invested in the national economy according to the state plan, amounting to a 10.7 percent increase over the first half of 1982. The bulk of capital investment--over 74 percent--was channeled into physical-production sectors, including 43.6 percent for machinery and equipment. Some 66.8 percent of investment was used for the modernization, reconstruction and expansion of existing production assets and capacities.

The construction program for the first half was overfulfilled. Construction and installation organizations did 1,832,400,000 leva worth of construction as chief executant. Construction and installation organizations within the Ministry of Construction and Architecture, Ministry of Communications and National Agroindustrial Union wound up the half with comparatively significant overfulfillment of planned targets.

The completed construction of underway projects amounted to more than half the construction targeted for the entire year. The plan for the construction and installation work on a number of projects of special importance for the national economy, such as the fifth and sixth reactors of the Kozloduy atomic power plant, the heavy machine-building plant at Radomir, the steel foundry in the city of Rakovski, the Troyanovo-North and Troyanovo-South mines etc., was overfulfilled.

The construction and installation work on projects for the production of consumer goods was less than what was targeted for the half.

By the end of June capital assets worth 1,525,700,000 leva were put into operation. More-than-targeted capital assets were put into operation within the following ministries: Machine Building and Electronics, Forests and Forest Industry, Power Supply, Transportation, Chemical Industry, National Agroindustrial Union etc.

Some economic organizations failed to achieve complete fulfillment of their program for putting capital assets into operation.

### Agriculture

The unusual agricultural and weather conditions during the first half (a long dry spell during the winter and spring, followed by frequent and heavy precipitation during the month of June) created great stress in agriculture. Despite the difficulties, the planting of spring crops was accomplished on time and in a first-class manner. To overcome the adverse consequences of the dry spell, the irrigation of winter and spring grain crops was organized on a large scale and significantly earlier than in other years. Some 1,600,000 decares of wheat and nearly 370,000 decares of barley were irrigated. By the end of June there had been a first watering of the basic spring crops, orchards and vineyards on an area 1.2 to 2 times as large as last year, and a second watering on an area 5 to 10 times as large. Frequent rains during the month of June necessitated the taking of protective measures with chemicals and herbicides against diseases and weeds. In implementation of compensatory programs, agricultural organizations planted a significant portion of the targeted second crops.

On public farms and private plots 2.2 percent more vegetables and nearly 2.5 times more early fruits were produced than in the first half of 1982.

The total output of animal husbandry in agricultural organizations was 55 million leva greater than in the first half of 1982. Milk production increased 8.4 percent, and egg production 12.6 percent. More of the following, as indicated, were purchased than last year: beef cattle and poultry, 8.5 percent; milk (3.5 percent butterfat content), 8.4 percent; eggs, 11.7 percent.

Agricultural organizations were supplied during the half with more nitrogen and potassium fertilizers and herbicides than during the same period last year and than targeted by the plan, but with less phosphorus fertilizers and polyethylene sheet.

### Transportation and Communications

Common-carrier transportation economic organizations hauled 13,300,000 tons, or 6.3 percent more freight than in the first half of 1982.

A number of technical and economic indicators improved. In rail transportation the turnaround time for freight cars was reduced 7.86 hours; the average daily locomotive performance in service was increased 3.6 percent; there was an 816 percent increase in the block speed, and a 2.9 percent increase in the average speed, of freight trains. The round-trip time of ferryboats was reduced by 5 hours. The technical serviceability of trucks was improved by 0.7 percent and the average number of operating days of technically serviceable vehicles was increased by 1 day. The average performance per capacity ton of trucks was raised 3.1 percent, and their average speed was increased 2.9 percent.

There were 24,400,000 passengers carried by common-carrier transportation, or 2.7 percent more than in the first half of 1982.

Passenger transportation capacity was increased by 50,000 seats. An additional 35 fast and passenger trains were put into operation and 132 new bus lines were opened. In order to meet more fully the transportation needs in small conurbation systems, in border rayons and in Strandzhansko-Sakarski Kray, 65 new bus lines were opened and the number of routes on the existing lines was increased.

Some 9.8 percent more revenues from communication services were realized than in the first half of 1982. The postal network was expanded by 16 new PTT [posts, telegraphs, telephones] stations, including 13 in villages; 72,098 new telephone sets were installed, including 58,743 for home use; 141 new telex stations were opened. Three radio transmitters, four broadcast relay centers and 17 television relay transmitters were put into operation.

#### Foreign Economic Relations

During the first half of 1983 Bulgaria's participation in the international socialist division of labor expanded.

The exchange of goods that was effected was 11 percent greater than in the first 6 months of 1982. The favorable trends in the change of the export structure were maintained. Exported machinery and equipment for industrial purposes accounted for about 50 percent of the total volume of exports.

During the first half the country was visited by 674,000 foreign tourists.

#### Living Standard of the Population

Expanded production and increased labor productivity created conditions for a further rise in the living standard of the working people.

The average pay of manual and office workers in economic organizations grew about 3 percent over the first half of last year.

Over 6.3 billion leva worth of various Bulgarian-made and imported goods were made available as marketable goods.

The population's supply of basic food products was normal. In retail trade, including public food service, greater quantities than in the first half of 1982 of the following items were sold: meat and meat products, 1.8 percent; milk, 2.2 percent; brynza, 1.9 percent; kashkaval, 5.5 percent; butter, 1.7 percent; eggs, 4.4 percent; sugar, 12 percent; sugar products, 1.6 percent; fresh vegetables, 7.3 percent; fresh fruits, 18.1 percent; nonalcoholic beverages, 4.7 percent.

The internal market was enriched with a number of new nonfood products and assortments. There were increases in the sales of the following: outer knitwear, 1.8 percent; stockings, 4.8 percent; sewn goods, 3.7 percent; automatic washing machines, 7.1 percent; refrigerators, 6.2 percent etc.

Due to insufficient production and infractions of contract discipline in individual periods, some conurbations did not have a regular supply of pork, nonperishable sausages, and sugar products; there was a shortage of 80-liter boilers, electric batteries etc.

The physical and technical facilities of internal trade continued to be expanded and modernized. New and rebuilt stores and public food service establishments came into operation, thus creating better conditions for serving the population.

Goods turnover of more than 6.5 billion leva was achieved, with a 3.8 percent increase in the trade network and 3.2 percent in public food service.

The volume of personal services for the population increased 8.9 percent. The plan was fulfilled and all basic types of services increased, as follows: maintenance and repair of motor vehicles, 25.3 percent; maintenance and repair of household appliances, 12.5 percent; maintenance and repair of television sets, 9.7 percent; laundry services, 8.6 percent etc.

Housing units completed and handed over to the population: 19,932, or 4587 more units than in the first half of last year.

The results achieved in the first half are a good precondition for fulfilling the Integrated Plan for the Socioeconomic Development of the Country in 1983 and for worthily greeting the National Party Conference in 1984.

6474

CSO: 2200/135



OFFICIAL DISCUSSES STATE OF AGRICULTURE

Sofia KOOPERATIVNO SELO in Bulgarian 29 Jul 83 pp 1, 2

[Interview with Ivan Tonev, deputy chairman of the Central Council of National Agroindustrial Union, by Boris Litov, representative of the newspaper KOOPERATIVNO SELO; date and place not given: "More and More Strenuous, Harder and Harder Days Are Coming"]

[Text] There have been a great many misfortunes that agricultural workers have had to overcome this year. The unusual agricultural and weather conditions have caused serious damage to agricultural crops. But the husbandmen of the soil have not sat by with folded arms. They have been at pains to obtain a better harvest from row crops. They have planted second crops on larger areas. Despite the very difficult conditions they have tried diligently to harvest the winter wheat crops.

A representative of the newspaper KOOPERATIVNO SELO had a meeting with Ivan Tonev, deputy chairman of the Central Council of the National Agroindustrial Union and talked with him about some questions regarding fulfillment of the agricultural plan and about impending problems in the harvesting of spring crops.

[Question] Comrade Tonev, what have the efforts of the personnel of agricultural enterprises and organizations been focused on in order to compensate for the losses due to natural calamities and to produce the output targeted in the state and counterplans?

[Answer] As a result of the organizational and economic measures taken by the party and government and thanks to the dedication of the labor forces of enterprises and organizations within the National Agroindustrial Union, as well as the energetic work of the agriculture-related ministries and departments, the people's councils and sociopolitical bodies and organizations, realistic conditions have been created for lessening the harmful consequences of the adverse climatic conditions, for fulfilling the plan in agriculture and in the food, wine and tobacco industry, and for securing the country's balances.

Efforts have been focused mainly on making fuller use of the potentialities of plants, varieties and hybrids. Secondly, efforts have been focused on planting the maximum acreage to second crops, for which favorable conditions have been created by the abundant precipitation that has fallen. The third main thrust of our effort has been lossfree harvesting and the fullest utilization of everything that the earth has brought forth in abundance. This goal was first tested during a very difficult harvest. A very important direction in our activity is to feed our livestock well and to get the targeted output from them. And, not least, one of our basic goals is to make the most efficient use of the potentialities of the food, wine and tobacco industry and to get the most results from the processing of raw materials.

[Question] And what is the physical expression of these efforts?

[Answer] Now it is easier for me to answer than the other time. I am helped out by the published report on the results of the fulfillment of the Integrated Plan for the Socioeconomic Development of the Country during the first half of 1983. Public farms and private plots produced 2.2 percent as many early vegetables and nearly 2.5 times as many early fruits as in the first half of 1982. Milk production increased 8.4 percent; egg production, 13.6 percent. More purchases were made of beef cattle and poultry (8.5 percent), milk (8.4 percent) and eggs (11.7 percent).

[Question] Would you mind enlarging upon the information about the favorable results of the agricultural workers' activity thus far?

[Answer] Let me note with satisfaction that 4,200,000 decarees have been planted to second crops, including 3,600,000 decarees to grain and silage corn, 116,000 decarees to vegetables etc. Farmers expect to obtain a good harvest of a number of basic crops. I would place first sunflowers, as well as grain and silage corn, soybeans, rice, cotton, vegetables, orchards and vineyards. But here let me hasten to inject a . . . BUT!

The frequent and abundant precipitation has created a situation for the weed infestation of crops and for the development of certain dangerous plant diseases. This situation explains the most important tasks in plant growing at present--protecting plants against disease and keeping crops, orchards and vineyards weedfree. And paradoxical though it may sound, crops on irrigated tracts have to be watered. They are now consuming a great deal of water.

[Question] Comrade Tonev, there are signals that in individual okrugs and agro-industrial complexes a reduction in the number of some species of animals has occurred; in others, the milk yield per cow has fallen in comparison with the first half of last year; in yet others, the size of the average milk yield in June was less than that achieved in May. I recall that exactly 3 years ago at the plenum of the BCP Central Committee held on 29 July 1980, a similar trend was found and appropriate decisions were made.

[Answer] Although the output of all species of animals was overfulfilled during the first half, the trend is alarming: at the end of June the number of head of cattle and sheep for the country as a whole has declined in comparison



with the first half of 1982. Contributing the most to the decline in cattle and, what is more important, of cows, were Stara Zagora, Vidin, Mikhaylovgrad, Varna and Sofia okrugs; and for sheep, Lovech, Kyustendil, Plovdiv, Sliven, Mikhaylovgrad, Pernik, Sofia etc.

The reasons for the decline of cattle are complex, but the key reasons, as hitherto, are the unsatisfactory fecundity rate, and in some okrugs the greater number of animals sold for slaughter. This is the main reason for the decline in the number of sheep, too. Strict measures have been taken to cut short these weaknesses. Cows are culled out only in instances where heifers in calf are secured in exchange. A systematic campaign is under way to raise the impregnation rate and to lower the mortality of livestock. To restore the number of sheep, the yearlings necessary for flock replacement have been secured.

As for the unfavorable trend emerging in the productivity of cows in certain okrugs (Mikhaylovgrad, Blagoevgrad, Lovech, Gabrovo, Plevan, Vidin, Varna etc.), I believe that with animal feeding targeted and tailored for individual physiological periods there is a real possibility of compensating for the lag in these okrugs' fulfillment of the milk and farm plans.

[Question] Your evaluation of the work that has been done so far?

[Answer] A great deal of work--and good work--has been done so far. The proof of this are the good results that have been mentioned. But we have to admit that not all the heads of okrug agroindustrial unions and agroindustrial complexes or departments and enterprises have reorganized their work in the spirit of Comrade Todor Zhivkov's directives at the Varna Conference regarding comprehensive compensatory measures for the losses in agriculture. Surely we do not have to reiterate the blunders and weaknesses that constantly get attention in the mass information media. Some of these, like inadequate and poor-grade packaging, shortage of spare parts, preparations and other materials, have long been a permanent fixture in supply and trade organizations.

[Question] The biggest and hardest agricultural campaign has begun--harvesting and utilizing the harvest of spring crops, gardens and vineyards.

[Answer] Whether we will harvest and make the fullest use of what the earth brings forth will depend in maximum measure on the extent to which we compensate for the losses in, and fulfill the plan for the production of agricultural output in 1983.

Agricultural workers have learned--and increasingly are improving their skill--to produce high yields of various crops. But they do not always know how to garner everything they have produced by their labor. They permit spillage of output either during harvesting or storage or while it is being processed.

As is known, the state allots considerable funds to increase and improve equipment. It remains now to solve other problems which depend mainly on the subjective factor--the creation of organization for the high-efficiency utilization of machinery.

And one more finding. Even the least pretentious assessment shows that those okrugs and agroindustrial complexes that have created an orderly organization in the mechanized work groups and have introduced two-shift work more widely during the harvest, despite the very difficult conditions have made better use of equipment and machine-operator's labor and have got their job done better. Likewise during this year's harvest some supervisors failed to find the most valid way to success.

First and foremost, equipment and technical maintenance must be moved out to the field in good time. Machines must operate in accordance with itinerary plans worked out in advance.

[Question] How shall we use the innovations that scientific and technical progress offers in order to meet the great demands?

[Answer] We have devised comprehensive measures which we cannot recite again. Let me dwell only on some fundamental aspects. The so-called grain corn, earmarked for feeding ruminant animals and for swine in the reorganized complexes and in the complexes that are undergoing reorganization, must be stored according to the humid method and according to the SSM [expansion unknown] system. In order to secure the maximum quantity and highest quality of silage, silage corn must be harvested only at waxy maturity. This, in fact, is the greatest potential reserve for our ruminant animal industry.

For on-time harvesting of industrial crops and for better results in the utilization of harvesting equipment on large tracts, the defoliation of soybeans, cotton, alfalfa and seed potatoes will be employed. Sugar beets will be harvested at the onset of full technical maturity and refineries will accept the roots at specified points of agroindustrial complexes according to their sugar content.

[Question] You mentioned at the start that we would proceed from this position when we map out tasks not only for this year but also for next.

[Answer] I meant that we would solve some questions of compensatory measures next year, for example, wheat and barley grain. But harvesting of these crops is set for autumn this year. Therefore we must start thinking now both about making ready seed and about making ready equipment, as well as organizing planting in good time and at a high standard. This year has taught us many things. It has shown us that from now on we must keep a card file of the irrigated croplands for raising grain corn by superintensive techniques etc.

It is time for the okrug agroindustrial unions and agroindustrial complexes to draw up their feed budgets carefully. They must analyze the state of their herds and flocks, the production and purchase of animal products, and take measures for the entire fulfillment of the annual production target, simultaneously guaranteeing the carryover balances necessary according to the 1984 plan.

The problems that agricultural workers have to solve by the end of the year are many and complex. I am convinced that they will prove equal in this difficult year to their highly important obligations.

Let us associate ourselves with the conviction of Comrade Tonev, who expressed also the confidence of the leadership of the National Agroindustrial Union. It is reinforced by the existence of the tremendous material and technical base that our agriculture has and by the know-how and industry of our agricultural workers.

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CSO: 2200/134

SPECIALIST OUTLINES MISTAKES IN AGRICULTURE

Sofia KOOPERATIVNO SELO in Bulgarian 11 Aug 83 pp 1, 2

[Article by Senior Science Associate 1st Class Emil Nikolov, deputy chairman of the Agricultural Academy: "Natural Conditions Do Not Have to Be an Obstacle"; passages enclosed in slantlines printed in boldface]

[Text] Production can be stable despite prolonged drought.

Some conclusions regarding varieties, predecessor crops, soil tillage and fertilization of winter grain crops under this year's conditions.

/Worries over the winter grain crops were many and well-founded. The drought that began in September 1982 and lasted till 10-15 June 1983 was, and is, an occasion for reflections, judgments and conclusions, for by its nature, scope and consequences such a phenomenon in the past resulted in a national calamity. Analysis of the effect of the drought as a function of varieties, predecessor crops, soil type, soil-preparation time and method, fertilization time and planting method shows an exceptionally great diversity of reactions, which very often are mutually exclusive. The selfsame variety of the selfsame predecessor and soil type in some instances yields good results, but in others, negative results. This is due to the fact that the combination of factors governing production are many and diverse and therefore their action and interaction in the formation of yields differ too./

The only thing incontestable is the conclusion that /due to heightened technological discipline, well-populated and rooted stands that withstood the drought were obtained. This is the main explanation why entire agroindustrial complexes and many brigades each obtained more than 500 kg of wheat and barley per decare, and individual okrugs over 400 kilograms./

The dry spell also had a great positive psychological result. Our confidence that we can fight and overcome natural calamities was raised, we believed in our strength and skills, we felt the might of our material and technical base. This new self-confidence is a great national asset which must be maintained and cultivated further. It is precisely this which obliges us to analyze and draw inferences from the fundamental errors, still committed, that to some extent make us dependent on objective production conditions.

/One of the fundamental errors that was committed was to proceed in the implementation of the technological plan from the assumption that there would be optimum climatic and phytohygienic conditions./ All production activities were performed on the basis of this tentative and in no wise ever corroborated hypothesis. Due to this approach which ruled out any risk factor, intensive and superintensive technologies optimizing resource backup at various levels were employed without allowance for any fluctuation whatever in climatic conditions and possible biologically and economically adverse consequences. On this basis certain results emerged as subjective errors in the case of wheat and barley this year.

/To begin with, in selecting varieties their biological characteristics and their capacity for resisting and overcoming stress states were disregarded./ The wheat varieties available to our agriculturalists have almost the same potentialities and the yields from them vary within plus or minus 5-6 percent. This fluctuation is due most often to planting time, which is also related to predecessor crop. Thus, for example, varieties like Charodeyka [Sorceress], Pliska, Skitiya [Scythia], Rekvien [Requiem], Trayana and Zagore, planted earlier and at the optimum time, do well and very well; but, planted after late predecessors, fluctuate markedly. Katya [Cathy], Vratsa, Trakiya [Thrace], Sadovo-1, Yantur, Altimir, Kardam and Dobrudzha are different; they are more plastic and in individual microregions and at different planting times--even late planting, produce more-resistant yields. For shallower soils in regions near and in the Balkans, Sadovo-1, Kaliakra-2, Sadovo super, Kiten [Pretty] and Dobrudzha-1 have very good yields. In the same regions the yields of Triticale-7291 are high and resistant too.

For barley the same success can be enjoyed not only with two-rowed Alfa, but also with four-rowed Mirage, 468 and Gerbal. But in case of later planting, Alfa does better.

It is very important also, with allowance for concrete conditions, that varieties from three groups in a specific ratio should participate in the variety structure for a given production unit. There should be three or four key varieties, each with 15 to 20 pct of the crop acreage, thus creating preconditions for greater production stability in the event of adverse climatic conditions and a worsened phytohygienic situation. This is an objective necessity resulting from the biological characteristics of the varieties, the structure of the existing predecessors and soil conditions.

/A second important error which results from the above-indicated initial premise, was made in soil preparation./ The basic rule which we must bear in mind is that conditions must be created for placing seeds on a firm bed at a depth of 4-6 cm after rolling, with maximum preservation of soil moisture. This is precisely the purpose of minimum disking. In practice, however, since the disk harrows are the light-weight type and the predominant soils have a heavy mechanical composition, six or seven passes have to be made in order to prepare the seedbed properly, but most of the soil moisture is lost. In consequence, high-quality sowing is achieved, but the moisture deficit leads to nonsimultaneous germination or a delay in germination. Under such conditions, the advantage to the varieties of high-quality and seasonable planting and of early



predecessors is lost due to the delay in germination, which most often is decisive for good results. Hence the problem of soil tillage does not reduce just to good preparation of the seedbed, but also to preservation of the available moisture. In this way conditions are brought about for fuller manifestation of the advantages of individual varieties, predecessors, planting time and quality. It is precisely to meet this decisive requirement that in countries with high and stable grain production heavier-weight disk harrows (up to 4 t) with an improved disk shape are used. Thus the number of passes is reduced to one or two. In order to make use of the light-weight disk harrows that have been bought, they are weighted with cast-iron blocks (200-500 kg each), distributed uniformly on the frame. In this way the number of passes is reduced, soil moisture is preserved, and machine-shift time and fuel are saved. Our country is not at present profiting from this foreign experience. Moreover, there were even theoreticians who, instead of undertaking the solution of the problem, set about proving its unworkability. Obviously the chief engineers of agroindustrial complexes and okrug agroindustrial unions, who perceive the difficulties in production best and most sensitively, must also undertake solution of the problem.

/A third weakness is the use of excessive doses of chemical fertilizers without taking into account the prospects of their effective use by plants./ This applies especially to nitrogen. In recent years there has been a totally unjustifiable enthusiasm in the fertilization of wheat for using 20-25 kg per decare of active substance nitrogen, and in all up to 40-50 kilograms of nitrogen, phosphorus and potassium. Most often the nitrogen is applied twice: 3 to 5 kg per decare during preplant preparation of the soil, and the rest of the norm in February-March. The experience of many years has proved that the optimum nitrogen norm for different soil types, depending on their reserves, is 12-16 kg of active substance per decare. Notwithstanding, where it is possible to use more nitrogen, it is applied at the above-indicated times without precautionary measures against possible drought. As a result, crops fertilized with more nitrogen this year were hindered in their development and the efficacy of the fertilizers used was low.

In the practice of countries with high and stable grain production, nitrogen is not applied in the autumn. This is done so as not to induce excessive tillering of the plants and so as to ensure not more than two or three equivalent tillers. In the spring (end of February and March) nitrogen is applied once in the optimum dose range: 14-18 kg per decare. Additional quantities as needed are applied at the time of the rains in April and in relation to the already-formed ear-bearing stalks after a differentiated appraisal of the state of the stand. This approach is biologically and economically justifiable and has shown its advisability and effectiveness.

Our scientifically proved optimum quantities of nitrogen, after preceding fertilization with 10-12 kg phosphorus and 8-10 kg potassium per decare, guarantee the feasibility of obtaining 658-800 kg grain per decare; that is to say, every kilogram of nitrogen, phosphorus and potassium taken together that is used is recouped with 21-26 kg grain instead of the 10-18 kilograms obtained. This being so, nitrogen in excess of optimum doses should be applied only as corrective nutrient under conditions assuring its uptake and an obvious need of

it for the crops. This differs from feeding necessitated because of poor and uneven spreading of fertilizers and the actual needs of the plants. It is no accident therefore that so-called rail planting at 8-meter intervals has been introduced, whereby the distances between passes of the fertilizer-spreading machines are exactly marked and uniform distribution of fertilizers to the young crops is effected. Hence, the problem of increasing the efficacy of fertilizers reduces, on the one hand, to spreading them properly and, on the other, to applying them in accordance with development phases, consistent with the necessity of forming 500-600 ear-bearing stalks per square meter, but with 35-45 kernels to the ear.

With the approach we have hitherto used, the quantities of nitrogen applied in the autumn induce active tillering, with 6-8 tillers forming early in the autumn on each of the 400-450 plants that germinate per square meter. The result is the generation of young crops with superfluous biomass. Most of it begins to die out after 10-15 May and perishes after the plants blossom. The superfluous tillers consume large quantities of the applied fertilizers unproductively and at the expense of the formation of ears with more kernels. A reason for the reduced average number of kernels to the ear is also shallow planting, especially in regions with heavy soil series and after late predecessors. Seeds planted at a depth of 2 cm after folling usually form ears with about 15 kernels if there are more tillers in the autumn and early spring. Thus, due to the errors in the approach during the formation of the crops the optimum number of ears are harvested per unit area, but they have too few kernels to the ear (22-27), in consequence of which the effectiveness of fertilization is low.

/Obviously there must be a reevaluation of the present approach during the formation of winter grain crops. In the practical solution of the technological problems we must always proceed from the goal of preserving and making rational use of soil moisture, which is a limiting factor, as well as from the necessity of achieving the highest effectiveness of the material resources used--through crops with 500-600 ears per square meter, but with 35-45 kernels to the ear. Only thus can the risk factor be reduced and fluctuation-proof production be established./

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EDITORIAL STRESSES IMPORTANCE OF COUNTERPLANS

Sofia RABOTNICHESKO DELO in Bulgarian 8 Aug 83 p 1

[Editorial: "The Counter Plan -- Creative Work of the Collectives, of the Whole Nation"; passages enclosed in slantlines printed in italics]

[Text] The development and intensification of socialist democracy finds vivid expression in counterplans. Accumulated experience convincingly confirms their tremendous significance for the life of the working people, for the destiny of the common cause.

The formulation of the counterplan for 1984 ought to be the center of attention for Party, state, and economic organs and administrations, to serve as a new surge of creative energy and initiative, to offer more serious achievements for the future. The collective's counterplan must be viewed as a fully developed program for production, economic and social activity, which guarantees the fulfillment of state tasks, but ensures as well their significantly higher attainments. It will be a basic instrument for socialist economic management in direct, daily activity.

What are some of the especially important distinguishing features of the counterplan? First of all, it is inseparable from the state plan. The state plan and the budget give the basic indicators, whereas the counterplan should precisely guarantee the self-support of economic organizations. From this arises the requirement that its formulation include all the members of the collective so that it actually becomes the business of the whole nation. Unfortunately, the efforts and capabilities of the workers are still ignored at a number of places, the counterplan is actually created by a small group of specialists and leaders. This kind of incorrect practice must finally come to an end, and those who continue to be slaves to it should bear strict Party and official responsibility. It is especially important to note that no one has the right to take away reserves opened up by the collectives with their counterplans. A strict and principled observance of this requirement will give additional stimulus to the workers to look with greater intensity and interest at existing conditions, to seek new opportunities for increasing the quantity and improving the quality of manufactured production, for ensuring greater efficiency from the efforts of the collectives.



For two and a half years we have been working to fulfill the historic resolutions of the Twelfth Party Congress, despite the unfavorable international conditions created by the policies of imperialistic circles. Despite some climatic difficulties, our social and economic program is being successfully fulfilled, the rates of development are dynamic and steady. This is a great achievement for socialist Bulgaria. This is one more proof of the strength of the Party's general guidelines of the April Plenum. The activity presently underway, directed toward a worthy response to the National Party Conference and based on Comrade Todor Zhivkov's speech in Varna, should lead to winning new positions in the battle to raise decisively the quality of production.

One of the basic problems, which ought to be the center of our attention when formulating counterplans, is increasing efficiency in the usage of the existing production capacities, for decisive intensification in the spirit of the directions of the Party Congress and the post-Congress theoretical formulations and practical approaches outlined by Comrade Todor Zhivkov. These also set the conditions for those criteria that we are supposed to meet during the coming year, 1984, the criteria of the National Conference in October, 1981. This is related to decreasing material expenditures, to increasing the productivity of labor and to obtaining higher profit, to the production of goods above the plan, to making the hard currency program work, and so forth. The criteria are high, hence the responsibility of the ministries, economic organizations, enterprises, and brigades, of each individual worker, should also be great. Because, in the final accounting, the desired effect can be obtained only through the coordinated, effective efforts of all!

Are we really capable of successfully solving these problems, of meeting the high criteria set by the October Conference? Yes, we are -- and these possibilities must be included in the counterplans of each collective, must become the focal point of every working person's efforts. What exactly are we talking about?

An extremely important resource is /using the existing production capacities to the fullest/. It is no secret that, in this respect, there is still much to be done. We have created factories, equipped them with expensive technology, and at many places we use this technology at less than full capacity.

Particularly serious attention should be devoted to /raising decisively the quality of production/ as one of the most significant resources. In every counterplan this should be one of the main concerns, one of the main tendencies, so that in 1984 the battle for increasing the technological level and the quality of basic production can be spread everywhere.

It is necessary to intensify the /struggle to economize/, the struggle for significantly more efficient use of the work force, for quickening the turnover in the means of circulation, for reducing the cost price and increasing profitability. To each of these questions we have to devote a serious analysis of the condition of the collectives, in order to see negative tendencies, to discover the reasons for them, to outline measures for action.

A valuable resource, as the Twelfth Party Congress pointed out, is the /implementation of the best experience -- our own and foreign/. But what can be said about the enterprises where the workers are not even acquainted with the highest achievements in the world in their corresponding field? The central institute for scientific and technical information, the ministries, and economic organizations ought to provide the necessary information so that every working person has a clear idea of what he is striving for, what the orientation of his efforts is in the near future and later on. Implementing the leading achievements, in accordance with the conditions, this is the primary task of our scientific and technical thinking, both for engineers and for workers.

When evaluating the results achieved by a given collective, it would not be correct to compare them with the past year's achievements, but rather with the best in the world. It is necessary to compare such strategic indicators as quality, labor productivity, volume of materials, fund allocations, etc.

The formulation and fulfillment of the counterplan is, and will be, based on /the consistent and complete application of the economic mechanism/. Additional stimuli for economical consumption of raw materials, materials, fuel and energy, for the timely establishment and start up of production capacities, for active use of labor resources, for accelerated implementation of scientific and technical achievements, should be explained and used widely.

/The counterplan of each collective is a unified program for its social and economic development/. The final results of our efforts, in 1984, will be conditioned to a great degree by the attention and concern which we will use in formulating this program now, during these months. The ministries, scientific and applied engineering organizations, okrug and city councils, professional trade union management, and professional organizations should find their active place in this process.

New approaches for formulating counterplans should be the center of political and organizational activity in the local Party organizations at economic combines, agroindustrial complexes, and enterprises. We need systematic control and high Party exactness; it is necessary to ensure at any cost meeting the October Conference criteria in formulating each counterplan. During the forthcoming annual election campaign, one of the main indicators for evaluating the combat readiness of the Party organizations, and of each Communist, should be their contribution to discovering and including new resources in counterplans. And each collective's ability to deal successfully with the important task that faces it depends on the concrete management, on a daily basis, of okrug, city, and factory Party committees.

The concerns and attention which we will devote to the preparation of counterplans should stimulate creative energy from each member of the workers collectives so that their voices can be heard in the analysis of the situation and in specifying negative tendencies in production, selecting new resources for enriching the plans. Only in this way, through the creativity of each collective, of the whole nation, can we create a truly national counterplan, which will be a secure guarantee of our future achievements, of new processes on the path outlined by the resolutions of the Twelfth Congress of the Bulgarian Communist Party.

FIRST QUARTER GENERAL ENGINEERING RESULTS VIEWED

Prague HOSPODARSKE NOVINY in Czech 10 Jun 83 p 2

[Article, published under the heading "Commentary," by Jiri Poslt, CPCZ Central Committee deputy department chief: "General Machine Building"]

[Text] The determining tasks which were assigned to general machine building by the 16th CPCZ Congress include doing a better job of meeting export needs, manufacture of higher-quality products, securement of additional advanced industrial equipment for capital investment purposes, and innovation in the manufacture of consumer durables.

In the first quarter the Ministry of General Engineering exceeded targets pertaining to delivery of capital goods by more than 400 million korunas and also met all contractual obligations pertaining to delivering machinery and equipment for important state plan tasks in the area of capital investment.

The plan of goods deliveries for domestic trade was exceeded by 310 million korunas (in retail prices). Fulfillment of innovative programs in the area of consumer durables also advanced satisfactorily from the beginning of the year. greater attention must be focused, however, on product variety, so that the customers are satisfied with product availability.

A determining factor in goods deliveries for domestic trade is the private automobile, manufacture of which is intended primarily for export (56 percent, including 37 percent to nonsocialist countries). By the end of the first half of the year 65 percent of the overall annual target figure should be exported to socialist and nonsocialist countries (a full 100 percent to nonsocialist countries).

Poorest fulfillment of delivery targets for market stocks has been occurring at VIL Strojsmalt Bratislava and the Prague Machine Building Equipment Plants. These enterprises are planning to improve deliveries by the end of the first half of the year (by 50 percent). At Strojsmalt Bratislava the difference from the allocated quota is to deepen to an even greater extent (49.4 percent).

The ministry exceeded the export target to socialist countries by 1.22 billion korunas in wholesale prices. The export target to nonsocialist countries was met in wholesale prices, but not in FOB prices. Failure to achieve the

targeted level in FOB prices was a factor in failure to achieve the difference indicator particularly by the VHJ Czechoslovak Automotive Plants, Prague, and Agrozet Brno.

Poor plan fulfillment in export to nonsocialist countries (measured in wholesale prices) is noted at VHJ Elitex Liberec (15 percent), the Povazska Bystrica Antifriction Bearing Plants (16.5 percent), the Prague Machine Building Equipment Plants (18.6 percent), the Brno General Machine Building Plants (also 18.6 percent), and Agrozet Brno (20.6 percent), as well as Prague VHJ Prago-Union and Strojsmalt Bratislava (both 22.2 percent).

More than half of the VHJ are failing to meet their targeted difference indicator level. The greatest deviations from target are noted at the Povazska Bystrica Antifriction Bearing Plants VHJ, Prague's Czechoslovak Automotive Plants, and Brno Agrozet. Difference indicator nonfulfillment for the ministry as a whole amounts to a relative difference of 105 million korunas in FOB prices.

Within the production structure, the annual targeted volume of replacement parts production in top-priority items was 25.9 percent met, and a total of 26.9 percent for specification-determined manufacture of replacement parts. With a few insignificant exceptions, almost all production areas fulfilled targets above the allocated share of the annual plan.

On the other hand, in the area of stocks on hand, plan target figures have been exceeded primarily at the Czechoslovak Automotive Plants VHJ, Prague, and the Prague Machine Building Equipment Plants. The above-named production economic units have exceeded by a substantial amount the prescribed stocks of goods and materials. While at the Czechoslovak Automotive Plants in Prague further exceeding of targeted stocks on hand involves primarily uncompleted production and goods, at the Prague Machine Building Equipment Plants the above-target stocks are in finished products, and in part in other goods.

In the future it is necessary to improve the quality of design and manufacture of goods, technical and acceptance conditions, and technical inspection of goods from initial assembly to the finished product. More aggressive concern must be focused on modernizing products. The 16th CPCZ Congress stated as the principal task of the Ministry of General Engineering to achieve targeted export. Therefore the entire administrative and management domain must devote greater efforts to this area. Production enterprises and main administrations must also proceed more aggressively with resolving problems of co-production and trade, in the sense of the principles and experiments ratified by the government of the Czechoslovak Socialist Republic.

Difficulties in accomplishing specific plan targets must also be overcome by means of vigorous management efforts. This applies particularly to manufacture of the Tatra 815 truck at VHJ Czechoslovak Automotive Plants, Prague, and in the fifth model upgrading of UR tractors at Brno Agrozet.

The demand to achieve efficiency applies to everybody. At every workplace it is possible to find ways to boost efficiency. It also continues to be true

that the greatest reserve potential is to be found in management activity, which must be focused more toward the principal tasks of science and technology, with the aim of shortening the time required to put to practical use new technology and research results. There should not be a single plant or enterprise at which no quality improvement targets are specified, where there is no demand that the technical and economic parameters of products and manufacturing processes gradually reach the world level. Only in this manner is it possible adequately to carry out the decisions of the 16th Congress.

Every one of our enterprises, including the very best, have in comparison with the world level of achievement reserve potential for improving performance in all areas of activity; one of the most important is unquestionably meeting deliveries for export. The general engineering industry unquestionably has tough targets in this regard. Approximately 40 percent of this ministry's total end production goes as exports to socialist countries, and almost half of this goes to the Soviet Union, the bulk of which consists of aircraft, machine tools and pressure shaping equipment, textile machinery, motor vehicles, construction and road building equipment. The level of current management performance, however, especially in the production economic units, continues to fail to meet the demandingness of the tasks. We must make greater use of socialist economic integration and look for possibilities of co-production with non-socialist countries, in order to contribute toward improving the technical and economic parameters of our products.

Machine builders are often blamed for the fact that the materials input of our products is almost one fourth greater than that of comparable foreign goods. It is true that the general engineering industry is achieving savings in metal and energy, but nevertheless machines are still too massive. Greater efficiency can be achieved here as well. To achieve substantially greater efficiency is an absolutely essential demand for the tasks of the general engineering industry for the remainder of the year.

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HOW TO MEASURE WORTH OF ENTERPRISES DISCUSSION CONTINUED

Prague HOSPODARSKE NOVINY in Czech 10 Jun 83 p 3

[Article, published under the heading "Discussion: How Should the Performance Achievements of Enterprises Be Measured?" by Engineer Josef Kasik, Kablo Decin: "Is the Criterion of Experience the Closest?"]

[Text] This article is a response to two articles published in the No 16/1983 issue of HOSPODARSKE NOVINY, under the titles "Abolish the Volume Target Relationship!" and "Profit Is Not the Objective." The author will not attempt to analyze all the theoretical conclusions of Docent Jaroslav Vejvoda or the counterarguments of Engineer Jaromir Matejka. He will address only that which he considers reasonable from the standpoint of his profession -- enterprise planner.

I am very favorably disposed toward Docent Jaroslav Vejvoda's idea that enterprise material incentive should be linked to production costs or decrease in production costs. Just as the author, however, I stress utilization of the category of production costs only for these purposes. In other functions, as described by Engineer Jaromir Matejka (the needs of expanded reproduction, societal need, etc), I consider the function performed by price and profit indispensable for the time being.

I do not consider correct rejection of Docent Jaroslav Vejvoda's proposal with the argument that only "profit is the sole and indispensable economic category in which development of overall effectiveness is reflected." The combined nature of profit is its advantage, but at the same time is its greatest weakness. Growth in profit figured as the difference between generated revenues and production costs can be achieved by several methods. One of these, which expresses the efforts of an enterprise workforce to improve efficiency, is to reduce production costs. Profit growth can be achieved, however, by much more practicable ways. For example, by generating greater revenues (thus unequivocally extensively), with production growth, by economies in fixed costs, or by changing the product mix in favor of more profitable items.

We would be great optimists if we thought that enterprises achieve profit growth by the most demanding means, by lowering production costs. An enterprise has little incentive to reduce production costs. This can be documented

in a practical manner by the fact that pressure to reduce production costs must be secured by many additional instruments and means. I am speaking on the one hand about controlling costs with the aid of a mandatory share of overall costs in performance indicator, but also all other nationwide economy measures, such as, for example, placing a ceiling on expenditures for business travel, advertising, motor transport, measures to reduce the administrative and management force, including recent nationwide economy measures to halt further growth of administrative costs, abandoning economic incentives and counting particularly on a moral approach by ranking officials.

Nor do I adhere to the argument that linking material incentive to decrease in production costs would seriously limit interest in technological advance or efficient export. What is secured by linking simple profit incentive, with profit figured into goods? This also must be implemented by various instruments, such as a price premium for technologically advanced, new and high-quality goods and, on the other hand, price cuts for obsolete items and items of quality category III, etc. The situation is similar as regards material incentive for export.

Contrary to Engineer Jaromir Matejka, I am of the opinion that it is precisely an enterprise's incentive to reduce production costs which impels an enterprise to dedicate itself much more intensively to scientific and technological advance, to improve organization of labor, to develop worker initiative, and to seek additional new ways to reduce costs, because otherwise this task cannot be accomplished.

I therefore repeat that even though profit and price play an important role in the reproduction process, material incentive keyed to profit is not effective. In relation to the enterprise, profit and price are externally-determined categories, independent of the will of the enterprise, and therefore influential (I am speaking of profit and price of a product item, not of an organizational unit). The measure of profit of a given enterprise is dependent on the aims and intentions of the central authorities within a production branch; the enterprise is responsible for reproduction of productive assets only within the framework of generated surplus product. To give an enterprise credit for the fact that it produced a given amount of profit or achieved a specified profit growth is, to put it mildly, nonobjective. Depending on the intentions of the central authority in a given branch of production, an enterprise could produce twice as much or half as much, and it could achieve profit growth not only by lowering production costs. I consider it to be much more accurate, however, to evaluate an enterprise's performance for reducing the cost of producing comparative product by 1 percent below the preceding year.

One must note, however, that even incentive to reduce production costs is not entirely without problems. Production costs as defined at the enterprise level are not equivalent to the term as defined from the standpoint of society as a whole. In the enterprise definition of production costs, savings in costs at the level of society as a whole (which many times are considerably more substantial) do not reflect at all in enterprise economic management, and many times can even worsen enterprise economic management. This weakens incentive for enterprises to seek out savings at this level. I can cite a specific example from our plant.

The manufacture of filled multiple-sheath communications cable which will soon be going into production is disadvantageous to our plant from the cost standpoint. The filling will increase material costs by approximately 15 percent, while labor input will increase by approximately 5 percent. Total economic effect from this manufacture will go to the Ministry of Communications, for cable life will triple. And of course this will result in cost savings in digging up old and laying new cable, and will also reduce our country's overall copper consumption.

I wanted to state with this simple example that with incentive to reduce production costs it is necessary to bear in mind that the category of enterprise production costs can also contain influences for which the enterprise deserves no credit (coming from another branch), and that a worsening of production costs is not always an indication of poor management. This deficiency, however, can be eliminated by applying proper methodology, and I do not personally consider it to be a serious obstacle in the way of measuring an enterprise's performance primarily in relation to its production costs.

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## EFFECTS OF TSZ INDUSTRIAL ACTIVITY STUDIED

Budapest FIGYELO in Hungarian 28 Jul 83 pp 3, 13

[Article by Sandor Papp: "TSZ Industrial Activity"]

[Text] The supplementary activity is a unique divider of our socio-economic debates and a collision point for emotions, and because of this it is usually shown mostly in either black or white colors. Under the increasingly tight economic conditions the debates--or more accurately: the statements--are raging with renewed strength around the auxiliary activities of the tszs [agricultural producer cooperatives]. That they suction away manpower. They splurge with wages. That this is the reason--the only reason--why valuable equipment is standing idle elsewhere. That it is a hotbed of abuses. That the industrial enterprises are trying to make a go of things in vain because they, of course, are regulated...

We did not list the statements known only too well as if we intended to duel with them with the knife edge of reasoning. And anyway, reasons probably always have a strange effect in the medium where interests clash. In such clashes facts appear to be undoubtedly more useful than reasons--and in this debate, conducted at times muffled and other times aloud, the facts have an especially refreshing effect. In cases of dubious news and mystical statements only the calm numbers and stubborn facts can provide guidance.

A few weeks ago the presidium of TOT [National Council of Trade Unions] discussed the situation of auxiliary activity and the tasks of improving it, and recently after the debate it published the proposal presented to the presidium. The voluminous material reasons convincingly, but we might say to this that it is the necessary partiality of interest representation. However, the facts prove the reasons and because of this it is worth while to quote a few of them here, too--if only skimming through the multifaceted factual material.

For auxiliary activity--as we can read--the average hourly wage is 10-20 percent lower than what employees of industrial enterprises receive who perform the same kind of work. But this covers great internal differentiation. There are great numbers of workers with low earnings and thus the opportunity exists to pay the proper wages to a few workers of key importance.

As far as the alleged advantage is concerned: the agricultural operations--versus the industrial enterprises--pay 54 percent production tax calculated as the percentage of profit. In the capital city and within its greater agglomerated area there is an additional 10 percent surcharge paid as production tax for industrial activity.

The material points out that employment is increasing moderately: the increase is 24,000 persons between 1980-82; the auxiliary activity employs a total of 200-210,000 persons. The reason for the increase is that employment is near people's residences, which has increased in value somewhat as a reflection of the increased commuting costs.

The equipment requirements of auxiliary activity are low: according to the 1981 data the value tied up in fixed assets was barely 35 percent of agriculture's basic activity.

Nationally, according to the 1982 data auxiliary activity in the tszs approaches 34 percent of the gross production value and 48 percent of the net sales income. With strong differentiation: in 10 percent of the cooperatives the auxiliary activity does not even reach 25 percent of the sales income--while it exceeds 60 percent in the top 10 percent of the tszs.

So much for the facts. To this we would only like to add this comment when we speak about the successes and foreign trade results of agriculture, we are always speaking also about the successes of the auxiliary activity--whether we say it or not.

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According to opinions criticizing the industrial activity of national economic branches outside the industry, a significant portion of the employment that has left industry went to the auxiliary operating branches of producer cooperatives. According to them employment in the Budapest branches of agricultural producer cooperatives based in the provinces increased by about 10,000 persons on 1981 at the expense of industrial branches in which utilization of expensive machinery has further deteriorated because of this, increasing the shortage of manpower which was already causing problems to begin with.

The critics feel that in the side business branches of agricultural producer cooperatives wages are generally higher than in the state operated industry. In Budapest and in other larger cities--not as their own home locations--the producer cooperatives are employing manpower syphoned away from industry with larger wages and other benefits--land use, shorter working hours, etc.--for higher wages, and "pump over" a part of the profits into agriculture.

Representatives of the critical viewpoint feel that the industrial activity of agricultural producer cooperatives is excessive, about half--approximately 5 billion forints--of their total profit is derived from industrial activity, etc. And the complaints are far from over with this. For this very reason the observations are worth a thorough follow-up.

### Dried-Out Resources

It was clear even from analyzing the 1980 industrial employment data that a significant portion of the changes of employers were within the branch and this constituted 35.8 percent of the changes of work place in the national economy. About 13 percent of the changes of employment in industry as the "receiving branch" came there from agriculture. In the agriculture-industry relationship this ratio approached 29 percent. That is, 29 percent of the new manpower coming into agriculture came from industry. Which national economic branch serves as the source of manpower for another and to what extent, can in the final analysis be judged on the basis of a bilateral balance of the interbranch manpower migrations.

If we take the manpower "syphoned away" from industry as 100, then transportation and communication receive 38 of this; commerce, 37, agriculture and forestry management 25, the nonmaterial branches 5.5, and water management 4 percent. The manpower migration equation of agriculture and forestry management in the over-all respect was negative due to its role as a supplier of manpower to the other branches, while that of the construction industry was a positive one.

However it must also be noted that the decrease of industrial employment was in part the result of deliberate efforts. The desperate manpower shortage of the service and infrastructural sector and the slow growth of industrial productivity resulted in the governmental organs making wage mass regulation the main form of regulating industrial wages in the 1970s in the interest of helping to decrease industrial employment. This was not necessary in agriculture since until the end of 1980 employment was decreasing anyway.

As of 1981 agriculture ceased to be the branch that supplies manpower. Even though employment in the basic activity continued to decrease--by 23,000 persons in 1981--the number of active wage earners in agriculture increased by 3.1 percent.

It may be deduced from the data that the number of people employed in the non-industrial side business activity--for example, water management, commerce, etc.--also increased. Interestingly in addition to Pest megye, employment increased mainly in the tszs of those megyes--Bacs-Kiskun, Zala, Komarom, Veszprem--which earlier had no or hardly any branches in Budapest. With this the shift of ratio between the numbers employed in the basic activity and in the auxiliary activity continued. But it must also be noted that mostly women who can be employed only locally are working food processing and the light industrial branches of the producer cooperatives.

### Earnings Ratios

Examining the employment composition of agriculture's industrial activities it becomes clear that it is in harmony with the national employment policy concepts. For example, of the physical manpower employed in industrial activity in 1980 by the agriculture and the agricultural tszs, 27 and 34 percent, respectively, were working in the area of industrial services which

corresponds to the central plan concerning improvement of services; 20 and 18 percent, respectively, worked in the food industry, 24 and 12, respectively, in the area of wood processing which is advantageous from the viewpoint of decreasing transportation costs and also several other viewpoints. The remaining 24 and 36 percent, respectively, were distributed among the other types of industrial activities, a part of which--products for mining and the construction material industry, mass metal products, plastic and rubber industrial products, etc.--have an important role in expanding selection and supplying shortages in satisfying the needs of the population and community organizations as well as agriculture. Even at the present time the Ministry of Industry is negotiating with 30 tszs about the production of various tools.

The cooperative relationship built up with the state operated industry is another important part of agriculture's industrial activity. For example, in 1981 about 20 percent of those employed in agriculture's industrial activity were doing contract work directly for the state operated industry--thus the agriculture's industrial operations slowly became the ministry-controlled industry's "background industry" to an increasing extent.

Employees of the producer cooperatives from the provinces employed in Budapest deserve to be mentioned separately. If for no other reason, this question is an important one also because the industrial branch operations of the province-based mgtszs [agricultural tszs] in the capital city attract their manpower largely from the local state-operated and cooperative industry. So that even if they themselves yield manpower to the industry, it appears in the regional manpower equation in another megye, and therefore in Budapest's manpower traffic the relationship between the producer cooperatives and industry is a very uneven one.

According to the KSH's [Central Statistical Office] data the wages paid for industrial activity by the agricultural producer cooperatives are at this time on the national average about 15 percent lower than industry's average wages. The situation is also similar with earnings proportionate with the working hours, where even though the size of the difference is smaller, the industry's advantage is still a clear one.

Part of the reason for this is the structure of agriculture's industrial activity--there is a much higher ratio of lower wage branches than in the industry's structure--and part of it is the composition of the technical training of those employed here. There are also examples, of course, when the pay is higher in the auxiliary branch than the average wage of the given industrial activity or the wage paid at the previous industrial place of employment. But such cases also occur in industry.

#### Higher Taxation

From the viewpoint of wage increases the agriculture's wage regulation was more favorable than industry's until the end of 1982; the tax burden on the same wage increase was smaller. Yet in the two national economic branches the rate of increase of earnings was the same between 1975-1980. In 1981, however, agricultural earnings increased at a rate exceeding the plan, therefore the taxes on wages were increased in 1982.

It happens in some cases--more frequently in Budapest--that higher personal incomes develop in the auxiliary branch operations than in the state operated industry. The following reasons play roles in this: as a consequence of the differentiation which has developed in the basic activities of the producer cooperatives, there is a significant spread in the levels of personal incomes. Since there is no separate wage regulation for the auxiliary activity, these differences are also reflected in this branch. Under the conditions of the wage level regulation the lower earning levels than those of the basic activity and of industry make it possible to pay more than the average to some outstanding experts without endangering the wage level, etc.

The fact alone that in some areas earnings are lower or higher than earnings of another area, does not decide whether or not the earnings ratios are correct. This can be decided fairly closely only by comparing working hours, work intensity, the level of technical training, working conditions and work productivity, which to a certain extent synthesizes the previous factors.

Comparing agriculture's industrial activity with the state operated industry it has been found that in agriculture the working hours are longer, level of training lower, and working conditions are poorer. Nevertheless on the basis of 1980 data the per capita net production value of the producer cooperatives compared to the state operated industry is in harmony with the 82.6 percent earnings level of the agricultural producer cooperatives as compared to the state operated industry.

#### Low Overhead

Calculating the profitability of agriculture's industrial activity is rather problematic because rather than keeping records of the profit from industrial activity, the KSH records only the budgetary sums which besides profits also contain other elements--among other things, the enterprise's general expenses. But that much has to be known that due to the lack of unambiguous statistical data of agriculture's--and within this, of the producer cooperatives'--food industry cannot be reliably isolated. Therefore only the profits of industrial activity including the food industry can be used in the calculations.

[Table]

Profit in terms of percentage of the gross production value  
in the socialist industry and in the tszs in 1980

Identification	Profit in terms of percentages of the gross production value	Profitability in terms of percentages of the socialist industry
State operated industry	7.9	100
Socialist industry	7.2	91
Mgtsz	8.3	105
Cooperative industry	12.4	157
Industrial activity:		
in agriculture	14.0	177
in mgtszs	15.5	196



Based on calculations the assumption seems proven that the industrial activity of producer cooperatives is much more profitable (by about 100 percent) than that of the industrial enterprises. Profitability of the industrial activity also significantly exceeds that of the basic activity.

The reason for greater profitability is not in the price system because there are no sectoral regulations in that. The main reason for high profitability must be sought in the cost relationships. For example, general overhead costs and other costs are significantly smaller in the industrial activity of tszs than at the industrial enterprises. The Capital City Council found in 1981 that indirect cost per hour in the majority of the side branches in Budapest is between 80-120 forints, while at the large enterprises it may even be as high as 800-900 forints.

The tszs often "receive" their workers already trained, thus they have no training expenses. There are cases--especially in the construction industry or when entire brigades are "rented out"--where the tsz employees are using the social facilities of the organization renting them, and thus the tszs have no social expenditures. And even when they do maintain such facilities, they are of much lower standards and therefore cheaper.

Amortization costs are also lower due to the high ratio of obsolete fixed assets depreciated to zero, the cottage industry system, and to subcontractorship (when they use the equipment of the firm placing the order).

Wages lower on the average than industry's also lower the production costs. In the cooperative relationships with industry, today the industrial enterprises bear the development costs of products they turn over to the large agricultural operations. As a consequence of the differing product structures of the two branches the state-operated industry's production requires an incomparably larger (costlier) technical design and development support than agriculture's industrial production.

8584

CSO: 2500/394

## MINISTER INTERVIEWED ON DOMESTIC TRADE SITUATION

### Supplies, Rationing Discussed

Warsaw VETO in Polish No 20, 15 May 83 p 3

[Interview with minister of domestic trade, Zygmunt Lakomiec, by Andrzej Nalecz-Jawecki]

[Text] [Question] I will begin in a way that is untypical for me, because it is with congratulations. The withdrawal of ration cards for cigarettes, alcohol and cleaning products took place without any kind of discord. Is there a certainty that there will not be any disturbances over these goods in the foreseeable future?

[Answer] We did everything we could to prepare ourselves and prepare the commodities for the withdrawal of regulations. The course of the sale itself demonstrates that the courses of action adopted by us were correct.

I am, however, distressed about something else. Industry, just as trade--after the crisis upheavals--is not doing very well at this time with a good marketing organization. An alarm has been raised in the press--that the chemical industry and commercial warehouses are crammed with detergents and soaps. And so, during the period of regulations, we conducted business with the industry warehouses empty and the commercial ones--nearly empty. And this was very suited to both partners. Trade was done at little cost! There was no need to carry storage costs of goods for which they had to assure a continuous sale of...

[Question] At VETO, we are far from criticizing reserves! At least they exist now--and, together with them, a hope for a normalization of the market...

[Answer] Precisely, there must be reserves in both industry and trade for there to be normal trade. And in this regard standard reserves, assuring the maintenance of a continuous sale, are compulsory. This reserve should be for 2.5 to 3 months; as long as we still have some shortages for such sizes of reserves. After taking stock of detergents, we indeed have 6,000 tons of surplus. But it must be remembered that places of employment continue to have lowered norms for use of these detergents. Now, when the situation is better--with larger supplies of detergents from industry and as a result of imports

(which practically stabilized the market)--larger quantities should be sent to those institutions in which the most dirtying jobs exist; or else, return to the previous, larger norms. And large quantities of detergent are needed for this goal to be reached.

The second issue is that now industry must think over and take action so as to improve quality. Detergents must clean. The laundering performance of imported detergents is two to three times higher. That is why the volume of active substances is appropriate. Therefore, the manufacturers should remind themselves that their product must also be of good quality.

Can it be foreseen as to what will happen next on the market with these three groups of products? It is too early for a complete assessment. Please take note of the fact that people are now taking advantage of the surpluses of goods which were accumulated during the period of the market economizations--detergents, alcohol and cigarettes. And that, which we are selling, is still not a gauge of stabilized, actual needs.

We estimate that a normal sale of detergents is approximately 17,000 tons per month. I believe that greater sales of the detergents will begin in July. And we must have reserves for that moment. It would be good if the bank understood that these reserves are proper and did not burden them with higher interest credits.

When it comes to cigarettes, normal sales are anticipated to take place as soon as June. The previous level of alcohol sales will return probably still earlier, even in mid-May. And only then will it be possible to assess more accurately the behavior of manufacturers, trade and buyers.

[Question] At the end of April, as we are speaking, the situation with coffee is tragic. If someone does not have a supply of coffee then, in practice, he can have a cup of coffee in a cafe. Full coffee is "flowing through" restaurants...

[Answer] It is still flowing through the restaurant. Still! Any day now, and there won't be any coffee in restaurants. There simply isn't enough money for it.

[Question] And so, it will be possible to purchase coffee only in Pewex stores, only for dollars?

[Answer] Yes, on every point, coffee must be a Pewex item. It is sad to say, but coffee lovers will have problems. Will it be long? Well, the department of foreign trade is trying to buy some coffee through their compensatory or credit transactions. We would not want a shortage of coffee to develop for blood donors and for surgeons in hospitals.

[Question] Some of the coffee lovers began to drink strong tea. Will there at least be no shortage of it?



[Answer] For 1 year 26,000 tons was enough. This year, we will import 28,000 tons of it, depending on exactly those shortages of coffee. I believe that tea supplies will be sufficient. We sold not quite 7,000 tons of it in the first quarter.

[Question] We postulated several weeks ago--in an important letter to you--the withdrawal of controls on plain candy. It happened--we are abandoning the ration cards. What is the prognosis here?

[Answer] As early as January we told ourselves that we will abandon these ration cards in April. Normally, we would sell 7,000 tons monthly. I estimate that now 9,000 to 9,500 tons are needed to fully meet consumer demands. We now have considerable commercial reserves--over 12,000 tons. In April, industry will produce an additional 3,000 tons. We coordinated our efforts with industry and signed agreements for 12,000 tons of candy for May as well. And so, we have practically a 3-month reserve! There should be no shortage...

[Question] Let us hope so. This is a serious matter! The children, not having chocolates, will at least be able to satisfy their craving for sweets with sour balls, sugar plums, and dragees. But the consumption of candy will certainly be higher also because sugar will continue to be controlled.

[Answer] There is a shortage of sugar primarily in families with many children and in families with pensioners. I personally saw a very shocking scene in one of the provinces. Here was a retired couple, dissolving candy in water and using it to sweeten tea. They were doing this in order to save the sugar for fruit and vegetable preserves.

[Question] VETO has been pressing constantly for abandonment of the controls. Now we are suggesting that ration cards for cereals and rice be eliminated. It is sad to say, but the consumers themselves are wasting cereals--they have a considerable amount of it, and these are old stocks. The cereals are molding and rotting. Yet the consumers keep buying new rations because their ration card "entitles" them to it...

[Answer] Before I address the question on cereals, I would like to inform the readers of VETO that there already exist conditions [conducive to] the abandonment of further controls on food articles. These conditions are arising from the positive changes in consumer goods output and market supply, as well as from the positive trends which lately arose in the area of money-market equilibrium. If the following months will be as March was--in the area of income trends and trends in supply--then we can expect that we will return to a completely normal market in 1985.

Labor productivity increased, and the wage fund level returned to reality, as did the payments from this fund and earnings in general. Some levelling of the funds per capita also occurred, and reserves in the National Savings Bank (PKO) increased. On the other hand, the so-called stocking shrank--which is a very good sign. The structure of sales, which we have achieved--(as well as the growth rate of sales, in general)--although not yet filled with optimism, gives cause for satisfaction.

Under similar conditions, we secured a 16 percent growth rate in sales, while in current prices, it was 40 percent. The growth rate in food sales amounts to 8 percent, and alcohol is up to 17 percent in current prices. The sales of nonfood goods--and it is most difficult with them now--reached a growth rate of 22 percent; of this, the sales of goods for the rural area was 33 percent. If these trends--especially the increase in productivity--were to be maintained in the coming months, then the plan to repeal further ration cards would be more feasible.

[Question] But what about our proposal in the matter of cereals and rice, and then flour?

[Answer] We could repeal the controls on grain products even today. We have been carrying out a special program in preparation for this moment since the beginning of this year. We have cereal and rice reserves (jointly) exceeding 100 days. In other words, they are higher than we have ever had in the best of circumstances. I am pleased that the price level for grain on the open market is lower and in some provinces the retail prices in the marketplace are slightly higher than the grain prices. This is an achievement of a healthy situation in this area. If this situation were to be maintained, then there would be no threats of the cereals and other grain products being bought up for fodder. This was a great threat.

The grain harvests, as farmers are estimating, are promising to be good. I foresee that, in the third quarter, we will be able to abandon the ration cards for grain products. And perhaps even sooner.

[Question] The chances are less so, Mr. Minister, because the consumers have stocks. The people will not run down to the stores to buy up rice and cereals...

[Answer] They are already not running! At present, we are selling only 70 percent of the quantity reserved for ration cards. On the other hand, the consumers are purchasing nearly the entire quantity of flour. They are not buying up grains, oats and rice. But, if someone has stocks of cereals at home, then he should keep the ration card as a souvenir for himself. After all, we publically said that there is no unconsulted rise in the prices of grain products that is menacing us. Therefore, even in this aspect, there are no threats to the consumers.

[Question] Word is reaching us to the effect that local controls again are making an appearance. How do you respond to this?

[Answer] I worry about it. At the last meeting with the vice-governor in our department, I said quite a few harsh words intended for those who are introducing such controls. Fortunately, they will not affect food anywhere, but some industrial goods.

Local controls, holding up goods in the provinces, exchanges between establishments--this cannot be tolerated! These are regional activities. The position of the government on this is unequivocal--only those controls based on a decision by the government, and not by any other decision at a lower level, can be implemented.

I have a proposal for the readers of VETO: that they send word about unauthorized controls to me in care of the editorial office. Even more, perhaps we will inform people of their responsibilities in such cases through the columns of VETO.

[Question] We have also been getting word that the rules issued by you, on purchases by the privileged and done [without regard to the order in waiting lines] have not been fully respected.

[Answer] Neither the governor nor the mayor has the right to change these regulations. This is not allowed. I ask VETO to turn over the specific details.

[Question] We in the editorial office know that plans from various provinces and organizations for the implementation of controls on light industry goods are being placed in your hands. Will you implement one of these systems, Mr Minister?

[Answer] There are, in reality, various pressures in this matter. But you are on the wrong track! We should, at times, be ashamed of the fact that we use ration cards. The disgrace is that there is a shortage of tights in Poland, which we used to export not long ago; that socks are sold in stores for newly-married couples, etc. And we know what a great production potential we have and what poorly qualified cadres there are in industry. The basic expedient for the weak points of the market is the increase of production. The major impact should be on this. And this is in the hands of the workforces of industrial establishments. Now is the time--when the workforces are discussing the economizing and anti-inflationary plans--for them to take to heart the need to raise production there, where it is most vital and where it is possible. We can achieve improvement through the concentration of raw materials and efforts on the most necessary production.

Precisely, clothing, after food, is the next group of articles indispensable to the market. Therefore, the textile, clothing, and leather industries should get under way. If help in the flow of raw materials arrives--and such activities have remained prepared--then controls in that segment of the market will successfully be avoided.

[Question] Yes, but let me ask you for a brave answer: Will it come to controls on clothing goods in the coming months?

[Answer] No, it will not come to that!

[Question] Thank you for your unequivocal answer.

[Answer] But I am not hiding the fact that, at my suggestion, the female employees of our department are also plodding away at the preparation of such a system of controls. But this is a damage report, to be adopted as a last resort. We are racking our brains with our colleagues from light industry and are seeking ways to increase supplies. We appropriated 40 million dollars from Pewex for the purchase of wool and cotton yarn. I am not hiding the fact that we are also considering whether or not to purchase finished cotton goods,

especially underwear. We purchased some warm underwear from the Chinese. Of course, our needs are great--undershirts and jackets for children, certain kinds of shirts or blouses. Perhaps we will buy these goods, even from the second payments area. Obviously, these will not be first quality but, more likely, third quality.

In certain cases, we will purchase raw textiles. And when it will be a raw material, then it will finally have to be finished with explanations of difficulties and problems in employment. This is not a plea for acceptance. Believe me, lately a great deal of foreign exchange has been devoted to the import of raw materials. And the workforces in light industry must revive! They must do a good piece of work when raw materials are available. If it is already here, then at least it should be processed day and night--after all, we are doing this for ourselves!

[Question] There are in the country quite a lot of jams on the market and there are a good deal of reserves. Wouldn't it be possible to trade them a bit, precisely in compensatory agreements; in other words, good for good?

[Answer] As far as I know, foreign trade sells great quantities of jams by way of compensatory agreements, and even for cash. Ineffective packaging is the obstacle here. If this is not improved, then it has no chance on the foreign markets.

But there are a great many possibilities in compensatory transactions. Even during my visit to the CDR, I agreed that for 5,000 tons of potatoes we will receive rubber and leather shoes. For the same amount of potatoes, merchants from the CSR wish to send goods according to our choice. And once more we will be helping light industry.

[Question] We at VETO are looking for the main cause of the economic disaster and present crisis in poor quality and waste. Could we jointly, Mr Minister, intensify the war against unsaleable goods? VETO began--on the basis of word we had gotten from the readers--to award yellow cards as a warning. We are aiming to award red ones and to turn to you with proposals on issuing a sales prohibition.

[Answer] I am not hiding the fact that I will be grateful for such proposals! We have much misfortune in the country. And precisely such labels must be used when it comes to the level of quality for many of our products. This can no longer be tolerated!

I believe that reform must finally begin to affect the improvement of quality. Unfortunately, the past solutions in the reform and the entire incentive system ruined quality. And this is, in part, the reason for things being the way they are. Even during the current year certain changes were introduced, but they have not created even observable effects. We bungle on! For if, out of 10 pairs of boots, 4 are advertised, then...

[Question] Then it is an economic crime!...

[Answer] And [a crime] against society! Because those boots are badly needed. It is not all the same if the sole of the boot will become unglued in one year or after 2 weeks...

[Question] In which segments of the market, besides the boots, is a disgraceful product quality appearing?

[Answer] The manufacturing of many articles of clothing, especially for children, is very bad. If there is something [fabric] to make it with and threads (with which there were problems), then it is really difficult to understand why they bungle it--the incorrect cut, stitching, coloring...Moreover, furniture, in which the veneer comes unglued even before that furniture reaches the purchaser's home. The quality of mechanical things for the home and televisions is poor.

Strictly speaking, we really must stop putting up certain products on the market. The producers are so incorrigible! We call their attention once, twice, a third time...And they still don't improve the situation. Only when we abruptly intervene do they wake up! Furniture factories are a good example, in relation to which we prohibited purchases. During the course of 2 weeks, even 10 days, they improved, and managed to reorganize the technology in certain segments...

[Question] In other words, we should step in more often with a whip, with restrictions!

[Answer] Yes, it turns out that, at times, it is necessary! If drastic systems-type solutions will not help--then a consistent penalty system for supplying goods not meeting the accepted quality standard must intervene. And this must strike at the wage fund because, after all, those poor goods are produced by people. If we will persist in budgeting expenditures for quality penalties, then we will not achieve improvements!

[Question] That is to say, it will be a tough battle for quality! Thank you for the interview as well as for the unquestionable tone of optimism in your statement.

#### Normalization Plans, Measures

Warsaw TRYBUNA LUDU in Polish 30 May 83 p 3

[Interview with Zygmunt Lamkomiec, Minister of Domestic Trade and Services, by Jan Markusz]

[Text] [Question] Is it true that--with the exception of meat--we will finally see the lifting of controls still in this year?

[Answer] Lately, under the restrictions of the ration-card system, we have moved clearly forward. We are already freely buying formerly-controlled powdered milk, cooking oil, cleaning products, cigarettes, alcohol and, in this month, candies as well. On 1 June, controls on fats will be suspended, and I believe that the third quarter of this year will also include unrestricted



sales of corn products. We are creating conditions so that the implementation of such decisions will be possible. Unfortunately, controls on meat and sugar will remain; on meat--due to an inadequate supply and too little progress in animal husbandry, and on sugar--due to its characteristics, enabling unrestricted accumulation, outright stocks, (the results of which we experienced several years ago), and also for fear that it is used for not always desirable processing.

[Question] The announcement of the abandonment of ration card sales for more groups of food products indicates that we have finally amassed reserves. Is this indeed true?

[Answer] Yes. However, I still wish to call attention to something that might seem paradoxical. Well, we now have the most favorable situation in those groups in which the greatest uncertainty of gain existed. It specifically concerns cornmeal products. After all, it is generally known that in a full year we live mainly on the strength of imports. And how difficult the situation is with foreign exchange and finding sources for the purchase of grain, and goods of strategic importance--is commonly known. However, thanks to the constant work by the government as well as the assistance of the Soviet Union, we managed to reach the point where, today, we have reserves of cornmeal for 100 days. The reserves of many other food articles are also sufficient. This makes possible the stabilization of the food market and [makes] its improvement even certain.

#### That Which Is Most Important

[Question] On the other hand, signs of improvement in the flow of manufactured consumer goods to the marketplace--shoes, clothing, furniture, and the like--are not visible enough. Is there no likelihood for the better in this area?

[Answer] Unfortunately, I cannot present a clear picture of the flow of manufactured consumer goods based on the assessment of the current situation. Let us spare ourselves a discussion of the entire varied structure, because too many problems are associated with this. Instead, let us concentrate on that which is most important after food. First of all, it concerns light industry goods, mainly clothing and shoes, and also appliances for household use as well as furniture. The production drop in these product groups is, unfortunately, enormous.

The restoration of the level of the flow of consumer goods from the end of the 1970's will not be an easy matter, but we must do it. Conditions have been created so that the supplies of these groups of goods--in keeping with the draft plan for 1983-85--would increase faster than other varieties.

Economic tools and other means of stimulation should be adapted to precisely such management of production. This is a crucial issue, both on the macro-economic scale and for specific enterprises. I am not claiming, for example, that rugs are not necessary, but if--at the moment--with the limited possibilities for raw materials, a choice must be made as to which should be more rapidly developed: the production of rugs, or clothes or furniture fabric, then I would speak out on behalf of the second group.

Producer, Store, Consumer

[Question] In practice, the trend still too often appears inversely: produce less, expensively and shoddily...

[Answer] Unfortunately, we have this confirmed. Independently operating enterprises--until mid-April--adopted in their production plans only 70 percent of that which the annual central plan forecasts and, for example, in the badly-needed hosiery branch--even less was adopted. On the other hand, considerably higher rates are being accepted in the more expensive varieties, such as the aforementioned rugs.

[Question] The market, even so, will absorb everything, all the more so that trade--as until now--does not influence the trend of socially essential structure of products. Is there any likelihood for change in the attitude of the businessmen?

[Answer] It must change. Our department attaches great importance to the formation of a correct goods structure. With greater insight, we will analyze that which industry supplies. Besides, I believe that this must result from a sense of concern and responsibility in both partners--industry and trade.

[Question] But cannot these duties of industry be carried into effect with the help of agreements?

[Answer] Agreements should be binding for both sides--there is no question in this. But in order to get to this, the entire "set" of conditions for agreements must be fortified; agreements, depending on reasonable variations in profit margins between enterprises, a consistent penalty system and obligatory conditions having binding power on both sides. However, I must admit that this is the weakness of past reform experiments. In connection with this, in the "Report on the Initiation and Results of Economic Reform in 1982"--recently examined by the Cabinet--was a note on the need for improvement in the contractual system.

[Question] For the time being, trade takes what is being offered it by industry, regardless of the quality; but the quality is clearly getting worse.

[Answer] I think that this is a mistake. But it must be remembered that the regional authorities, repeatedly, simply order the commercial enterprises to purchase anything and everything they can from the manufacturers.

The worsening quality of goods is a phenomenon that occurs on a large scale and has an unequivocally negative social significance. In connection with this, we passed four laws with which we will manage trade. First--no one is allowed to act or to make decisions which might in any way take the edge off the point of the battle for quality in goods and services. Second--small quantity: in no case can it be justification for shabby quality. Third--the tools of reform must stimulate precisely the quality level of goods. We must achieve this through our work. And lastly, fourth--an obligation of trade is the imposition of a truly effective barrier against shabby goods.

[Question] This has been said for years...

[Answer] And it was exactly this--that it was [merely] spoken of, but units were not held responsible for not complying with these laws--that was reflected in the quality. This is as much an issue of responsibility as of the system of influence by economic tools. What of it, that this or that manufacturer paid even a high penalty for defectiveness in his goods, since the means for covering these penalties were planned in advance, and the wage fund was never encumbered by the consequences of bad quality. What was to induce the manufacturer to do quality work?

[Question] And what is compelling him now?

[Answer] Systems-type solutions, accepted for the current year, will be introducing certain progress here. There is a lack of consequences, however. For the continued effects of bad quality affect the customer more than the one who is guilty--the unreliable manufacturer. We must achieve that state in which bad quality would no longer be profitable. I am convinced that the systems-type changes aiming in this direction will be initiated in the coming year. It is true--bad quality has its origins in production, but it also has them in trade turnovers. Both of these links, depending on their effect, should suffer its consequences. Each of the partners--industry and trade--must, then, begin to clean up their own turf. Mutual commitments also must be carried out more consistently.

#### Conclusions From Two Programs

[Question] In the plan for 1983-85, as well as the programs connected with it--the fight against inflation and economization--the basic goal is the gradual restoration of market equilibrium and an improvement in the flow of consumer goods to the marketplace. What kinds of conclusions are resulting from these programs for your department and for trade in general?

[Answer] As I already said, I consider an increase of the influence of trade on growth in the supply of goods, necessary from the point of view of changes in the structure of consumer demands and, obviously, an improvement in the quality of goods, to be issues of vital significance. This is closely tied to the improvement in the standing of agreements.

More than before, the firm and consistent influence of trade on commodities prices is also extremely vital. The dictates of industry in the area of contract prices can no longer be tolerated. Trade must analyze the calculations, compare them with the prices of similar goods of other manufacturers, and--if the need arises--inform government organs of the irregularities they have noticed.

Within the framework of the economization program, we wish finally to settle several apparently minor, but troublesome matters. Among other things, it involves the recycling of packaging. Personally, I place great importance on this issue.

[Question] Greater efficiency on the part of the merchants--not only in this matter but, generally, in the operation of trade--is commonly hoped for. What is going to induce them to this?

[Answer] Together with the structural changes which aim at, among other things, restricting monopolies, we are developing an economic-financial system in trade. In this sphere, we have had good experiences with the so-called large commercial structures which, even before the introduction of economic reforms, operated self-dependently, linking their profits to output. This was verified. We wish to spread these experiences, and carry them over to intermediate and small units. This creates a field for individual initiatives. Through this, we are also looking to increase: efficiency in trade, its influence on industry, technical and organizational progress and, in effect, improvements in consumer services.

[Question] In which areas will a perceptible improvement in the flow of consumer goods to the marketplace be possible in the next 3 years, and in which will it not yet be possible?

[Answer] I think that, if it comes to food, then--besides meat and imported goods (coffee, tropical fruits, etc.)--we should have a relative saturation of the market already in this year. However, this cannot be said of the supplies of industrial goods. Admittedly, some more shoes and clothing turned up, but it is still far from a satisfactory level.

[Question] And in 3 years?

[Answer] It will surely be better. During this time we should get closer to the level of the flow of consumer goods in 1980. The supplies of automatic washers, refrigerators and freezers, sewing machines and, I believe, shoes and clothing also, will grow tangibly.

...And With Waiting Lines

[Question] Will this be enough to reduce inflation to about 10 percent?

[Answer] We must reduce inflation. There is no other alternative. I believe that we should pursue this through growth in production and supplies, as well as wage discipline. One condition must be met for this: to pay for real production, and not for [just] staying at a place of employment.

[Question] What is the department intending to do so that, as production and supplies develop, trade overcomes its distribution habits and becomes normal trade, functioning in such a way so that the customer could--without delay--buy whatever he needs?

[Answer] I hate to admit it but, under the conditions of the reform, merchants must learn business anew. It is still being forgotten (and industry is also involved in this) that, in order for the flow of consumer goods to operate properly, reasonable reserves must exist, and changes in trends and consumption rates must be anticipated. There is no reason to sound an alarm because of an

accumulation of a 3-month reserve of laundry detergent, since that is the way it should be. Only under such conditions do the possibilities for meeting and enforcing the demands for quality emerge. We must learn to produce and sell in a marketplace progressing toward equilibrium. I am convinced that, in 1985, we will already have a considerably normalized market, with unrestricted purchasing and without the bane of waiting lines.

9891

CSO: 2600/968



'PTE' SLATED AS AUXILIARY WATCHDOG FOR ECONOMIC WATCH TEAM

Warsaw RZECZPOSPOLITA in Polish 18 Aug 83 p 1

[Editorial commentary by "AG"]

[Text] In terms of efforts aimed at counteracting problems that might arise in the future to disrupt the economic reform process—in addition to relying on institutional guarantees, a national decisionmaking system, and a system for monitoring the implementation of decisions that are made--there are two other matters of great importance, i.e. the early identification of threats to the reform and the channeling of information on these threats to central authorities responsible for running the economy.

The chairman of the Council of Ministers recently gave the Planning Commission the job of performing these two functions by instructing it to pursue a systematic program dedicated to providing early warning of problems that might interfere with normal economic activities. This is primarily a question of identifying those kinds of developments which would violate the economic resource allocation provisions set forth in national annual plans or hinder the fulfillment of goals and targets mandated by the plan, in addition to relaying reports on these dangers to the Government Presidium and furnishing it with recommendations on how to counteract the dislocations which are brought to light.

Accordingly, a special interagency working group was set up that will report to the chairman of the Planning Commission under the Council of Ministers. This working group will be involved with collecting, processing and interpreting information which describes the evolution of the economic situation and also correlations between social and economic developments, in addition to forecasting future trends affecting economic processes in terms of the likelihood that these processes might be subject to dislocations.

In discharge of its duties the focus of this working group will not be strictly economic or confined to the study of facts and figures illustrating the degree to which progress is being made toward the fulfillment of the plan, rather it will have a broader purview encompassing, inter alia, social processes, the public mood, production incentives and so on and so forth.

In addition to this working group, the PTE [Polskie Towarzystwo Ekonomiczne-- Polish Economics Society] will also be an integral part of this early warning system. One of the components of this system is a network of consultant societies and associations. The role of consultants at-large was assigned to the 250 local branches of the PTE which are active in workplaces. They will report on irregularities and threats to the reform that come to light in their immediate environments.

In this way the early warning system will take on a kind of dual social nature by broadening the system's field of view and calling attention to the social aspects of economic processes and also by relying on public affairs activists to gather information, that is, people who by virtue of their professional responsibilities have an opportunity for gaining firsthand knowledge of instances in which reform principles have been violated and formulating practical suggestions for correcting any such problems that might arise.

No one has ever said that the process of economic reform and especially the practical aspects of its implementation are or will be free from mistakes. The point is that these mistakes should be identified and corrected early on. They should be corrected both in the realm of the law and in the realm of the real world.

CSO: 2600/1239

## BRIEFS

ECONOMIC EARLY WARNING TEAM--An inter-ministerial early warning team called up by the Polish prime minister to notify the government of signs of economic malfunctioning began its work today. Attached to the head of the government Planning Commission, the team comprises officials of the GUS central statistical office, the Finance Ministry and Narodowy Bank Polski (Polish National Bank) and the director of the Public Opinion Polling Centre. The group is to collect, analyze and interpret data and other figures characterizing the economic processes, analyze inter-dependence of economic and social phenomena, and prepare forecasts for future economic processes, especially taking into account the possibility of interference as well as proposing preventive measures. [Text] [Warsaw PAP DAILY NEWS in English No 141, 20 Jul 83 p 17]

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ROUNDTABLE ON INTERDEPENDENCE OF WORLD ECONOMIES, CEMA COOPERATION

Bucharest ERA SOCIALISTA in Romanian No 11, 10 Jun 83 pp 18-25

[Abridged article by Univ Prof Dr Costin Murgescu, Marian Chirila, scientific researcher Daniel Daianu, Dr Victor Duculescu, Dr Aurel Ghibutiu, Univ Lect Dr Lucian C. Ionescu, Univ Prof Dr Ivanciu Nicolae-Valeanu, Univ Prof Dr Alexandru Puiu, principal scientific researcher Vasile Radu and Dr Stefan Stancu: "The Unique and Interdependent Character of the World Economy"; passages enclosed in slantlines printed in boldface]

[Text] Nicolae Ceausescu: "The world economy is becoming more and more interdependent, and the problems cannot be solved except on a basis of equal and fair collaboration among all countries."

The magazine ERA SOCIALISTA and the Section of Economic Sciences in the Academy of Social and Political Sciences organized a discussion on the problems that arise from the uniqueness of the world economy, from the characteristics of the manifestation of the current economic interdependencies. Univ Prof Dr Costin Murgescu, Marian Chirila, scientific researcher Daniel Daianu, Dr Victor Duculescu, Dr Aurel Ghibutiu, Univ Lect Dr Lucian C. Ionescu, Univ Prof Dr Ivanciu Nicolae-Valeanu, Univ Prof Dr Alexandru Puiu, principal scientific researcher Vasile Radu and Dr Stefan Stancu participated. We publish the abridged transcript of the discussion.

Costin Murgescu: In the opening remarks of this discussion I do not intend to dwell very much on the theoretical and practical importance of the theme. It has been stressed often and I would run the risk of repeating things known to all of us. However, I want to mention, in particular, its special topicality, a topicality that results from a somewhat paradoxical situation.

What is the point in question? As the world interdependencies grow, we are also witnessing a return to the policies of division of the world market, of promotion, by some states, of policies that seem to ignore the world interdependencies. It would be interesting for us to study the above-mentioned phenomenon under the conditions of the current world economic crisis, which,

although hitting practically all countries to one degree or another, has also generated, at the same time, tendencies of individual emergence, or emergence by groups of countries, from the dilemma. Very characteristic in this regard is the case of the developed capitalist countries, which believe that they can emerge from their present recurring crisis while discounting that it is extending and is acquiring specific characteristics precisely due to the fact that it is occurring within the much more complex crisis that is affecting the world economy in its entirety and the whole system of international economic relations.

I would begin by referring to the policies promoted by the developed capitalist countries toward the developing countries. The characteristic of these policies results from the conviction of the ruling circles in the developed countries that they can emerge from their own recurring crisis not only while ignoring the interests of the developing countries but even on their backs. Hence, the reduction of the public aid for development, the expansion of the protectionist measures to hinder the access of the manufactured products of the developing countries to the markets of the developed countries, the more and more obvious disinterest in the elimination of underdevelopment or in the resolution of the world food crisis, the blocking, in practice, of the "global negotiations," although the principle of such negotiations had been accepted several years ago, and so on.

When you discuss such tendencies with some Western economists, they are ready to immediately explain to you reasons connected with the national policies of austerity, which prescribe the reduction of the effort to aid the developing countries, the necessity of protecting their own industries, which have become "sensitive," and their workplaces under the circumstances of the really unusual dimensions that unemployment has assumed, and so on. I want to refer not to the lack of "arguments" that could be cited in favor of such a policy. I would like to dwell on the "boomerang effects" of such policies, which ignore the reality of the unique character of the world economy. It is clear that /the necessity of support to speed up the progress of the developing countries results not from reasons of "charity" but from the fact that, in today's world, no one has the right any longer to believe that he can secure his own prosperity through the poverty or impoverishment of his partners/. Have the obstruction of the progress of the developing countries, their economic impoverishment in recent years and the stagnation of international trade facilitated or delayed the emergence of the developed capitalist countries from the crisis, have they helped to increase or to reduce the degree of utilization of their production capacities in a whole series of branches, have they led to the reduction or to the growth of the rate of unemployment in these countries?

Let me take a more concrete example, referring to the high-interest policy promoted in recent years by the developed Western countries. I discount the "interest war" that was waged for a while within the leading group of capitalist countries, in order to dwell on some effects of high interest--very profitable, moreover, for the capitalist banking system--on the developing countries: the rapid growth of their foreign debt, the increase in the requests for rescheduling the payment of these debts, the going of countries into insolvency, and so on. The phenomenon assumed such proportions that, eventually, it even



unleashed the danger of the collapse of the international financial system created by the main Western powers. Under the effect of this danger, the growth of the IMF funds has occurred in recent months, so that it would be possible to assist to a greater extent developing countries in payment difficulties, the procedures for rescheduling the foreign-debt payments of developing countries have been speeded up, and so on. I am not aware if, by means of these measures, the danger to which I referred has been eliminated or only postponed. I am sure that /more radical measures that the developing countries have proposed more than once have become necessary/.

However, I ask myself if the developed capitalist countries have drawn lessons from this experience, if they will begin to understand more correctly the strength of the world economic interdependencies, and I would not dare give an affirmative answer.

Along the same line of concerns, I cannot but refer also to the discrimination with a political character, going as far as economic "sanctions" with an exclusively political motivation, promoted by the United States toward some socialist countries and even some developing countries. I do not want to dwell on the obvious incompatibility between the development of economic relations between states and the attempt to use these relations as a pretext for interference in the partner's internal affairs, in the exercise of its sovereign attributes. The position of Romania, of the socialist countries in general, on these problems has been known quite well for a long time. I limit myself strictly to the economic aspect that we are discussing, in order to ask myself: Are these measures not really also an expression of the denial of the world economic interdependencies, a tendency to return to the "cold-war" forms based on ignoring the unique character of the world economy? The fact that, for a longer or shorter period, some Western countries have resorted to such "sanctions" or discriminatory measures toward one country or another constitutes a further argument to make me believe that we still have a long way to go before all countries of the world understand the strength with which the world interdependencies assert themselves and the necessity that the national policies and the policies promoted by the various economic groupings of states take into consideration, with all responsibility, the unique character of the world economy.

And a final aspect regarding the different groups of states that eventually feel "boomerang effects" in their own ranks whenever they promote policies of isolation, in contradiction to the objective requirements that result from the above-mentioned realities. Let me again take the developed capitalist countries as an example to evoke the increase in the contradictions and in the trade and financial disputes arising in recent years between the United States, Japan and the Common Market (sometimes, even in the ranks of the latter) as an effect of the policies promoted toward the developing countries or the socialist countries, policies, at bottom, of isolation from the rest of the world, of disregard for the strength with which /the requirement of economic relations of collaboration and cooperation among all states of the world, on the basis of respect for the principles of their sovereign equality, fairness and mutual advantage, noninterference in internal affairs and abstention from force or the threat of force/, is asserting itself.

Marian Chirila: In my opinion, the existing consensus on the conception of the world economy as a product of the historical development of the production forces, a product materialized in the context of a certain mode of production, facilitates enormously the uncovering of the traits and the treatment of the prospects of its evolution. At the same time, the consideration of the world economy as a category that includes all of the national economies in the complex system of relations between them, a system generated by the international division of labor, provides the premises for substantiating its uniqueness and interpreting its heterogeneity.

The postulate of uniqueness seems debatable at first sight because of objective circumstances, not to mention, of course, the political motivations. It is known that the process of formation of the world economy (consummated a century ago) meant, in fact, the internationalization of the conditions for creation and utilization of capital, the worldwide expansion of the capitalist mode of production. Insofar as the national economies constitute the framework of movement of the social order, the impression can be created that, with the appearance of a new economic and political system in one or more countries, the world economy, in its turn, would divide. However, since nothing in the history of the last half century demonstrates a separate or, especially, divergent evolution of the production forces in countries with different social and political systems, from the viewpoint of the type of processes, that is, of the content and methods of production, such a thesis lacks consistency.

With the common source of all values created in the world being human labor and creative human genius on a scientific and technological plane, the fact that the mode of production does not condition, first and foremost, the production of them seems obvious to me. Moreover, it is an axiom of Marxist political economy that the modes of production differ not in what they produce but in how they produce. On the front of the battle for the prosperity of mankind, socialism introduced--in my opinion--as a complete innovation the requirement of the conscious acceleration of social progress, of history. The attainment of this objective cannot happen in any case under the conditions of national or regional isolation; just as, too, the attempts to impose a "quarantine" on socialism failed, owing to the same factors that Lenin had in mind when he substantiated the objective bases of peaceful coexistence between countries with different social orders and of the world exchange of material values.

Moreover, the very development of the current production forces aspires to a more and more interdependent world economy, in which the states, as distinct and independent entities, do not erect artificial political, economic and military barriers to the normal development of the world economic circuit. However, it is just as true that during the current world economic crisis we are witnessing a return to the practices of breaking up the exchanges and seeking the solutions in an "exclusive club." These are, in essence, unsuitable means of emerging from the crisis, especially as, through its character and amplitude, the problem lies not in returning to the former situation but in plotting new trajectories for development in the world, starting from the recognition of the economic interdependencies and from the necessity of a new international division of labor. The concept of a new international economic order is situated precisely in the prospect of the revival of growth and the development

of the world economy, which, through the elimination of the current disparities and the proper utilization of mankind's material and human potential, will be able to lead to the substantiation of international economic relations on the principles of equality and fairness/.

I feel that another basic postulate of the world economy is that of its heterogeneity, generated by the multitude of states and of their specific interests, by the differences in social and political systems in the world and by the asymmetry in the levels of development of the states. This postulate is less controversial on a conceptual plane, but it represents, in my opinion, the source of the differences referring to the evaluation of the configuration and state of the international system and to the ways to optimize the relations between states, taking into account precisely the objective interdependencies created in the world. /These interdependencies derive from the very essence of the world economy and represent the form of movement of the mutual interaction of the national economies and of the constitutive flows of the world economic circuit. Under the contemporary conditions, they are registering a process of expansion and growth of complexity/, a result of the changes induced by technical progress in the production conditions, of the absolute and relative growth--as a tendency--in the degree of participation of the states in international economic exchanges, of the multiplication of the flows of the world economic circuit and of the incidences of the national economic policies.

Daniel Talianu: I feel that to conceive the unique and interdependent character of the world economy by emphasizing just the uniqueness of the world market means that we are ignoring the essence of the total economic phenomenon on a global scale. In this regard, I am thinking, first, of those economic laws which are specific to the production of goods (the law of supply and demand) and which, although differently, in specific forms, operate regardless of the character of the ownership relations. Second, it can be asserted, I believe, that, despite the big economic and technological gaps existing, the development of knowledge, science and technology on a world level has a more and more marked global dimension. The scientific and technological revolution--although it is not of equal use to the peoples of the world and, on the other hand, as a result of the structures of domination, is increasing the asymmetrical interdependency--is "compressing" the world space, is introducing world standards in matters of social labor productivity and quality, is speeding up the development of the national societies, even when it induces difficult structural adjustments. /Any artificial disconnection from the international technological and knowledge flows in which it is possible to participate affects negatively the relative well-being of the national space in question/. The interdependencies are also amplified strongly by what we usually call "internationalization of economic activity." The combining of the production factors in various national spaces--called "internationalization of capital" when we refer to the non-socialist economies--is also occurring in the socialist economies in the form of the joint societies, for example, in which partners in the advanced capitalist states or in developing countries can also participate. Finally, a number of social and cultural processes that also have implications on the plane of economic life go beyond the national border or the framework defined by the social and political order.

Aurel Ibratiu: Starting from the unique and interdependent character of the world economy, I would say that in this framework it is possible to distinguish three types of interdependencies. Namely, a) /functional interdependencies of the different subsystems of transactions within international economic relations/. These interdependencies are the object of the current discussions within the international economic organizations, such as UNCTAD, where the interaction of the commercial, financial and valuta problems is tackled; they can be pursued on a wide, world-economic plane and on a more limited, regional plane. b) /Interdependencies of the short-term development policies and the long-term development policies promoted by states and groups of states/. This type of interdependency is well illustrated in the context of the current world economic crisis, in which some states are adopting conjunctural policies, for the short-term orientation of the economy's evolution, without taking into account to the proper degree the long-term repercussions of these policies; for example, the short-term anti-inflationary policy promoted by some capitalist states, put into application through monetary mechanisms such as raising the level of interest, proved to have not only national but also international repercussions on a longer term, leading, as is known, to the strong growth of the foreign debt of the developing countries. c) /Interdependencies of the national economies within the system of international economic relations that characterizes the current world order, the current system of the world economy/.

Before referring in more detail to the interdependency of the national economies, I consider it necessary to state that these types of interdependency that are appearing in the world economy interpenetrate.

The type of interdependency of the national economies, as basic cells of the world economy, can be pursued more deeply according to the forms that the relations between different countries and groups of countries take. Thus, for countries with relatively close levels of development, /symmetrical interdependency/, based on reciprocal exchanges, on specialization of an intrabranched nature within industry, maintained and amplified through consultations and harmonizations of the economic and commercial policies promoted by the states, is characteristic; in such a form of symmetrical interdependency, the division of labor that is established between the countries tends to have a horizontal character. Contrariwise, between countries with different levels of development--developed countries and developing countries--/asymmetrical interdependency/ is characteristic, and the international division of labor has a vertical character, with specialization of a big interbranch nature being predominant: raw materials (the developing countries) and processed products (the developed countries).

The interdependencies of the developed countries and the developing ones constitute a mutual dependency between them, but not to an equal extent; this interdependency takes the form of one-way or asymmetrical relations, characterizing, in fact, the structural dependency of the economies of the developing countries on the economies of the developed countries. /The unequal character of the interdependencies of the developed countries and the developing ones is reflected nowadays in the difficult economic situation of the developing countries, taking into account also the fact that, in the current world economic crisis, the developed capitalist countries have thrown a large part of their



own internal economic difficulties onto the developing countries/. Thus, on an internal plane, in very many of the developing countries, the economy continues to be oriented toward satisfying particularly the foreign demand, there being produced goods of a nature to be exported to the developed countries, often to the detriment of meeting internal needs; as a result, in the economy of the respective countries one observes an unbalanced, distorted structure, characterized by the production of a small number of exported products, especially with a low degree of processing, while the production capacity for goods of equipment or technology remains modest or is nonexistent.

On an external plane, the economy of most developing countries depends on the markets of the developed countries, on their capacity and desire to permit the access of the products of the developing countries and to offer to the exporting countries the means needed for procuring the foreign currencies for supporting the process of economic development. In addition, as a result of external factors, such as, for instance, the functioning of the international institutional structures, the developing countries, to a greater or lesser extent, are deprived of the possibility of really controlling their economic development (the rate of economic growth and the structure of the development process).

Approaching in this way the system of interdependencies in the world economy, the fact becomes much clearer, in my opinion, that the accent that is put on structural changes in the world economy in the platform for establishing a new international economic order presupposes a restructuring of the relations of interdependency of the developed countries and the developing ones, /with the basic objective of going from an asymmetrical interdependency to a mutual interdependency or, in other words, to a dependency in equal proportions between countries/.

Alexandru Iuliu: In my opinion, the uniqueness of the current world economy manifests itself especially in the interdependency of the phenomena and processes that occur on the world market, in which, up to a point, it is possible to also speak of a unity of interests. On the other hand, we must not omit that in this world economy there are big differences between the world's countries with regard to the level of development of the production forces, the structures of the national economies, the social and economic relations, the political and state organization, the level of development of science and culture, and so on.

The world economy is thus multipolar, and the characteristics of some or others of these "poles" are, in their turn, different. Consequently, the uniqueness of the world economy must be viewed dialectically, it manifesting itself more as a tendency in which, besides very many common interests, a number of particular requirements also manifest themselves. The harmonization of these interests--an essential requirement of our times, when more and more problems necessitate a planetary approach--cannot be done by brutally underestimating the zonal, regional and national characteristics but, on the contrary, precisely by finding solutions that take them into account as much as possible, that respond to each people's aspirations and interests.



referring to the evolution of the world interdependencies in the last three decades, I believe that, with certain reservations, it is possible to distinguish at least two stages. The first stage would coincide with the world economy's boom period that lasted until the start of the '70's. Of course, the evolution of the interdependencies was not linear in this period, either, but, in general, their accentuation occurred through the intensification of international economic relations, reflected in, among other things, the growth of international trade's percentage in the gross national product or the industrial output of the world's countries, but especially in the appearance of new forms of collaboration and cooperation in production, science, technology and so on. A number of theories and some concerns regarding "international economic integration," a very complex and contradictory phenomenon that, at any rate, reflects a certain objective tendency of expansion of the interdependencies of the national economies, also appeared in the respective period. Insofar as this "integration" was developed on a regional level in the form of entities from which emanated certain discriminatory policies toward third countries, the phenomenon constituted an obstacle to collaboration on a planetary scale rather than a factor for promoting it.

It should also be stressed, I believe, that, even in the respective period, in which international economic cooperation and trade had positive effects on economic growth, these effects were very unequally distributed, with the countries developed from an economic viewpoint being the beneficiaries as a rule. The political practices and measures that governed the international economic relations characteristic of the old world economic order constituted--along with internal, structural causes of economic strategies based on cheap resources and on squandering them and with the limits to the social organization of production, due mainly to the limits of the capitalist production relations--important factors that led to the outbreak of the system of crises that characterize the period of the last 9-10 years. In any case, the research oriented toward identifying the interdependent uniqueness of the world economy in the period to which we are referring, contained between the '50's and the '70's, a period that was not without contradictions and disparities of all kinds, nonetheless cannot but put first and foremost the ascendancy of the world economy, a quantitative and qualitative vitality probably unprecedented in modern history.

The second stage, which begins with the first part of the last decade and is continuing even now, evinces a completely different tendency of the world economy in its evolution. This is, at bottom, the period in which the contradictions accumulated in the preceding stage, the confrontations between the developed countries and the developing ones, and the instability of the monetary system and of the system of international prices were transformed into explosive imbalances, into acute, deep crises, the economic, financial and monetary instability worsened considerably, the international tensions and conflicts increased and so on. The causes of this situation had accumulated in the preceding period, but the above-mentioned phenomena were unleashed in recent years precisely due to the resistance of some political forces to the requirements of achieving a new world economic order. Viewed from the angle of the themes that are the object of our discussion, the problem presents at least a few important aspects.

Thus, in the current stage, under the conditions of the economic crisis, the interdependent character of the world economy has not ceased to exist but has manifested itself in a priority manner on another plane. I have in mind the fact that a number of phenomena that occurred in this period--the rise in inflation, the "explosions" in the field of the price of oil, the monetary instability, the excessively high rates of interest, the crises in economic growth, the branch crises and so on, appearing initially in one zone or another--spread throughout the world economy in a relatively short period. Obviously, this phenomenon too did not occur uniformly either in time or in space. At bottom, we are witnessing strong distortions, almost unknown in the last 100 years, of the cycles specific to the evolution of the capitalist economy; often, at intervals of a few months, very divergent tendencies in the evolution of the different national economies have manifested themselves.

However, it remains an undeniable fact that /the system of crises and the above-mentioned imbalances have included, in one way or another, to one degree or another, all countries of the world. I feel that this too is an aspect of the manifestation of the strong interdependencies which exist in the world economy and which reflect the unique character, in essence, of this economy/. At the same time, while it is true that, in different forms and with different intensities, the crisis has included all national economies, /the emergence from the crisis will have to be achieved mainly through measures of economic policy based on taking into consideration the interests of all countries in the world/. Unfortunately, this truth, apparently a simple one, is not understood or is not wanted to be understood by some states and business circles. On the contrary, in recent years we have witnessed the accentuation of protectionist measures, the sudden change to discriminatory policies, rather than the adoption of measures that could have contributed to the emergence from the crisis through constructive, mutually advantageous collaboration on a basis of equality and fairness. A number of capitalist countries developed from an economic viewpoint obviously tend to transfer as big a part as possible of the crisis and of its consequences to other countries, especially the developing countries. Such transfers are achieved through the commercial mechanisms, and especially through the contemporary monetary ones. Such practices can lead to the temporary improvement of the economic situation in a country to the detriment of other countries, but the essential problems of the world economic crisis and of the international economic order cannot be solved in this way. /The emergence from the crisis cannot be achieved except by resuming, on a basis of equality, the policy of collaboration among all states of the world, except through intense, unified efforts to overcome underdevelopment, the gaps between states. Obviously, this is not easy, since the difficulties are numerous and significant, but it is the only viable alternative/. At bottom, it is the only real alternative for emerging from the dilemma, which, of course, must be preferred to that of the degeneration of the confrontation of interests into a world conflagration with disastrous consequences for all mankind.

Daniel Bataille: I too would like to refer to the phenomenon of high interest in order to set off an idea that I consider closely connected with our concern to distinguish the multilateral forms and consequences of the current interdependencies. The bigger the relative size of a national economy is, the more marked its involvement in the world economy is. I have also expressed on other

occasions the opinion that the excessive rise in interest in the United States was the consequence, not unforeseeable, of changing in 1979 the manner of implementation of the internal monetary policy. The interest rose greatly, and the foreign debt of many states increased excessively; and even if, recently, the interest has dropped comparatively, this has not also reduced accordingly the foreign debts of the countries hit. It can thus be seen how, through the case of "aligning" the interest in various national spaces, there was a transfer of conditions from the capital market in the United States to the international capital market, without there also simultaneously being compensatory changes in the financial situation of the states that had programmed a certain evolution of the volume and structure of the foreign debt. Hence, the merry-go-round of payment reschedulings and the great strain on the international financial system.

Lucian C. Ionescu: The thesis regarding the existence of a unique and interdependent world economy--explained clearly in our party's documents--has a particular theoretical and practical importance: it opens up new and wide horizons for research in the field of the social and political sciences and, at the same time, substantiates the general orientation of Romania's foreign economic relations. The virtues of this thesis set off its profound realism, opposed to ideological isolation, to any preconceptions. In this regard, the analysis of the traits of the contemporary world economy demonstrates that /its uniqueness manifests itself under the conditions of an extreme heterogeneity of the concrete situations in which the world's countries are found/. In addition, the interdependent character of the world economy can be interpreted on different planes and in different senses. Besides those mentioned thus far in the discussion, I would like to dwell on the accentuation of the interpenetration of the technical and economic factors with the social and political ones.

Both the heterogeneity and the interconditioning of the above-mentioned factors attest, in my opinion, that a true image of the contemporary world can be obtained only on the basis of utilizing a complex set of criteria and indicators; the absolutization of a single criterion, no matter how important it may be in itself, presents the risk of distorting the reality and vulgarizing the theoretical-methodological or political-ideological interpretations. Of course, at a certain given time, the possibilities of actually achieving the desire to which I referred are inherently limited. Therefore, a selection of the criteria and indicators used is practically inevitable.

I believe that the mode of production and its basic aspects themselves constitute the basis for relating such a process of evaluation. Thus, from this viewpoint, the criterion of the degree of economic development and that of the social order--the former being the expression of the evolution of the production forces and the latter the expression of the evolution of the social production relations--have a special role in characterizing the place occupied by a country in the world economy. It is known that the absolutization of the criterion of the production relations led to the thesis of the existence of two (or even more) parallel and opposed "world" economies. At the same time, we find that in the economic and political literature in various countries there are cases when some theoreticians (economists or political scientists), although starting from the premise of the decisive role of the production forces

in comparison with the social relations, deny the validity of the criterion of the level of economic development in the analysis of the typology of the national economies. However, the holding of such a position hinders the making of a complex, scientifically substantiated analysis of the realities specific to the contemporary world economy.

The current period marks, I believe, the transition from the stage of the formal interdependencies to the real ones/. As follows from the historical evolution of the world economy, the first type of interdependency consisted, in fact, of different variants of the relationship of domination (dependency), concretized in the "making worldwide" of the interests of states with far-reaching economic and/or political and military power. At present, many processes and phenomena that indicate the crystallization of a new type of interdependency are manifesting themselves conspicuously. Of these I would mention the world economic crisis, which, with different intensities, affects all countries; underdevelopment, which has extremely bad influences and consequences for the economic, social and political life of the whole world community; the arms race, which hinders--or can even block--the social progress of the states, regardless of their degree of economic development or their social order.

From a doctrinary viewpoint, the interpretation of the implications of the process of expansion of the economic interdependencies on a world level has taken, in my opinion, two main forms, which I would call, in a generic sense, "optimistic" and "pessimistic." The "optimistic variant" prevailed in the '60's; being developed in a period of extended boom in the world economy, of rapid expansion and diversification of the international economic flows, it had the tendency to absolutize the benefits of growing involvement in the world division of labor and the world economic circuit. The "pessimistic variant" has appeared in the last decade, reflecting the climate specific to a period of long crisis and depression; in this case, the accent is put on the risks that participation in international economic exchanges entails, there being recommended isolation, the autarchic evolution of the national economies and so on.

Life shows that the problem of the interdependencies and of their causes and consequences cannot be analyzed in depth except from a realistic, balanced position. As also follows from the programmatic documents of the Romanian Communist Party, /participation in international economic exchanges is objectively determined and cannot be avoided by any state, but it is natural for the concrete way in which this participation is achieved to differ from country to country, depending on its specific conditions, and to evolve both in accordance with the changes that occur in the production forces and relations in the respective country and in accordance with the changes in the world division of labor and the world economic order/.

Starting from this view, it is possible to differentiate processes that seemed identical only at a superficial or distortional glance. Thus, each country's concern for reducing the negative effects of the world economic crisis cannot justify by any means the proliferation of protectionist practices or the tendency of the developed capitalist states to shift the brunt of the crisis onto the developing countries; in addition, the reduction of the economic gaps or the relative equalization of the levels of development is not equivalent to a



"leveling" of the world economy. It is indisputable that the great variety of the concrete conditions in which the national economies operate and the great diversity of the economic potentials will cause, for a long period of time yet, significant differences between the places occupied by various countries and groups of countries in the world economy. The emphasis on this reality does not represent an argument in favor of a "hierarchy" of the states, but points out the existence of special responsibilities that devolve upon the developed states, with big economic, financial and technological potentials, regarding the evolution of the world economy. I believe that the delimitations to which I referred throw into relief the dialectical character of the national economy-world economy relationship: on the one hand, the situation of the world economy is the result of the interaction of the processes that occur within the national economies, just as, on the other hand, the evolution of the world exchange of material and spiritual values puts its imprint on each country's economy.

Stefan Stancu: The theme that is the object of the current discussion also has a special significance from the viewpoint of the way in which it is approached in the practical activity of developing the economic collaboration among the socialist countries.

As is known, for a long time after the onset of the world crisis, there still were voices that tried to present the economies of the CEMA member countries as being outside the sphere of manifestation of the crisis. These opinions strayed, above all, from the idea of the existence of two world economies separated and isolated from one another. Such a viewpoint was not shared by our country. Thus, a few years ago, in August 1978, when the world economic crisis was just silhouetted on the horizon, Comrade Nicolae Ceausescu emphasized: "It is necessary for us to take into account the fact that the effects of the economic crisis do not stop at the borders of the socialist countries, that the socialist system cannot exist independently, cannot detach itself from the world economy, from the division of labor on a world level, from international economic collaboration. Life has demonstrated that the thesis regarding the autonomy of the socialist system and the creation of an independent socialist division of labor, opposed to capitalism, to the other countries in the world, does not correspond to reality, to the requirements of material, scientific and technical progress, and the tendency of economic isolation can only have negative influences on economic and social development, on international collaboration."

The later evolution of things invalidated the opinions of those who had put the economy of the socialist countries outside the general phenomena of crisis, there now being recognized the influence that the world crisis has on the economy of the CEMA member countries. However, it is sometimes felt that it would be a question of an "external" phenomenon "transferred" to the socialist economy through the ties established with the capitalist economy. Sometimes, this manner of presentation is used to conclude that the trade exchanges and the cooperation with the capitalist countries have been developed "excessively much," that precisely these relations are "to blame" for the difficulties encountered by the CEMA member countries as a result of the world crisis.



I believe that it is not necessary for me to also repeat the many arguments raised during our discussion in order to emphasize the unilateral character that is possessed by the matter of presenting in this way the views of the USSR in the current stage. At the same time, it is absolutely clear that the acceptance of such opinions would inevitably lead to the separation of the economies of the CECA member countries from the world economy. However, such a viewpoint is not reflected in the official position of these countries, in their economic practice. On the contrary, authorized representatives of these countries have repeatedly expressed the opinion that economic isolation from the rest of the world is not desired.

Decisively rejecting any attempt to divide the world economy, to establish artificial barriers between the economy of the socialist countries and the economy of the other countries of the world, it is necessary, at the same time, to take into account the specific framework and the wide possibilities of expansion of the relations of collaboration between the economies of the socialist countries, between the CECA member countries/. As is known, our party and state ask all those who work in the field of foreign economic relations to consistently promote collaboration on many planes and cooperation and specialization in production with all socialist countries, especially with the neighboring ones, with the CECA member countries. /Such an orientation is in complete agreement with the thesis of the existence of a single world economy/. In fact, the economies of the CECA member countries are an integral part of the world economy; the economic relations of these countries with the rest of the world are continually expanding; their percentage in world trade has risen; and practice has shown convincingly that the hindering of these relations and the promotion of discriminatory measures and even of "sanctions" in international trade harm all participants in the world exchange of material values.

At the same time, one must not forget the fact that, along with the intensification of the participation of the CECA member countries in the world economic circuit, strong reciprocal ties have been formed, in the course of time, between their national economies; the division of labor among them has expanded; trade exchanges, economic collaboration, and cooperation in production are occurring on the basis of a large number of long-term agreements; a proper mechanism for multilateral settlements by means of the transferable ruble has been developed; the relations of collaboration in other fields of significance to the development of reciprocal economic relations, such as standardization, transportation and telecommunications and the valuta, financial and credit system, are being intensified.

In view of the friendly relations of alliance established between the CECA member countries, their geographical proximity and, under these conditions, the creation of joint mechanisms to promote reciprocal collaboration, the more intense development of the economic relations with the CECA member countries seems to be a natural consequence, an objective requirement/. At the same time--with a term found in economic literature--it could be judged that these relations form a "subsystem," as a component part of the world system of economic relations. Moreover, from this viewpoint, such "subsystems" can also be encountered in other parts of the globe, wherever several countries, using certain encouraging conditions, create and consolidate among them more extensive

economic relations--organized, as a rule, in a regional framework--and the suitable mechanisms for promoting them.

The formation and development of this specific framework of reciprocal relations is not cast doubt upon the existence of the whole as long as its composition is based on objective economic requirements and not criteria of another nature, and the intensification of the reciprocal ties does not lead to separation from the whole. At the same time, it is necessary to specify the fact that the viability of such a "subsystem" is directly determined by the degree to which the relations and mechanisms established and the final purpose of the joint actions achieved take into account and reflect fairly the interests of all participants. Consequently, the measures of orientation toward the more extensive development of the economic relations between the neighboring countries and the adoption of new institutional forms or mechanisms for the promotion of the specific relations between these countries must not be set up as barriers between their national economies and the rest of the world economy. On the contrary, it is necessary for all these measures to be subordinate to the basic objective regarding the strong and harmonious development of each national economy and, on this basis, to the requirement of the more and more intense participation of each country in the world division of labor. In fact, as far as the Council for Mutual Economic Assistance is concerned, the organization's statute, the Complex Program and other programmatic documents that are the basis of its activity stipulate expressly that /the development of the reciprocal economic collaboration of the member countries must be accomplished while taking into consideration their active participation in the world division of labor/.

Imre Lakatos: Referring to the thesis mentioned here by Comrade Stefan Stancu, according to which the exchanges with the nonsocialist countries "may be developed excessively much," I too would like to emphasize an aspect that seems important to me.

From the perspective of the unique world economy, in which the interdependencies are growing and are becoming more and more complex, the evaluation of the competitiveness of the national economy by referring to the "best level" within a regional grouping seems debatable to me. There is sometimes the tendency to utilize complementarities or relative advantages that could be obtained on a regional level. This orientation would seem justified only when economic realities on a regional level would assert themselves as worldwide parameters for judging the efficiency of international economic cooperation, collaboration and exchanges. I am of the opinion that, constantly and on the basis of a long-term strategy, it is natural to pursue the opportunities springing from the realistic evaluation of the possibilities of the national economy in relation to the processes that occur on the scale of the world economy. Thus, it is possible to utilize "global" consequences of the technological vitality in the most advanced spaces, it is possible to prevent the eventual profits earned on a regional level from being lower than the costs resulting from abandoning or limiting the national economy's openness "to all directions."

As is known, our country, acting consistently to intensify and improve the collaboration within CEMA, promotes, at the same time, economic, scientific and

technical relations with all countries of the world, starting from the exigencies of development in a unique and interdependent world economy. As was also emphasized during a recent session of the Political Executive Committee of the ICF Central Committee, our country feels that the matter of solving with united forces major problems of the collaboration within CEMA will allow the member countries to be able to participate more actively in the development of international economic cooperation and exchanges, to be able to participate more intensely in the international division of labor.

Alexandru Puiu: In the efforts for a balanced and somewhat stable development of the world economy, necessary for all countries of the world, I feel that the institutional framework, the system of organizations of the United Nations and, in general, the system of international institutions, must have a much more important role. Unfortunately, without our underestimating some progress achieved in this field, the growing deterioration of some components of this institutional system comes to the forefront. Thus, after World War II, at Bretton Woods, the foundations were laid for an international monetary system that, even if, for a number of reasons, it has not fulfilled its world calling, has represented a partly successful attempt at multilateral cooperation in this field of vital importance to the world economy. This system's imperfections, which were transformed into a strong crisis in the past period, have become more and more obvious, but neither its improvement nor its replacement with a better system has been obtained. A number of states not only have not encouraged the process of improving and democratizing the world institutional system but have obviously impeded it. The problem is not one of the minor ones, since--alongside the world's states and in cooperation with them--the international organizations and institutions should have a much more important role in the effort needed in order to secure the progress of all countries, the resolution of the big problems that confront mankind.

Emphasizing the immense responsibility of all states of the world and of the whole institutionalized system for the emergence from the state of crisis in which the world economy is found, I believe that the danger that a mechanistic, narrow view of the problem could present should also be taken into account. I see this danger at least from the following viewpoints. On the one hand, the belief that the emergence from the crisis could be produced /only/ as a result of global measures, of devising and applying a global strategy--and so impeded by some developed countries--would lead to the discouragement of the peoples in different states of the world, to the lessening of their efforts. On the other hand, with the content of economic difficulties and the causes of them being so different from one country to another, the attempts at economic reclamation through "conditionings" that would be generally valid on a planetary scale can create new problems for certain national economies. Consequently, /there must be persistent efforts to find intelligent and effective solutions that take into account both the specific character of the situation in each particular national economy and the broader, global requirements for international collaboration, for the elimination of underdevelopment and the forging of a new international economic order, with advantageous effects for all countries of the world/.

Constantin Burescu: The observation made by Comrade Prof. Al. Puiu, which referred to the fact that, along with the deterioration of the world economic situation,

we are witnessing a deterioration of the institutional framework with a world character created so that the world's states could solve together precisely such economic problems, seems interesting to me for our discussion. Along with this tendency, we are also witnessing more and more flagrant and more and more frequent cases of violation of the principles with a world character that asserted themselves in the postwar period and gained greater force in the fertile period of active peaceful coexistence, of political detente and, implicitly, of expansion of international economic collaboration.

I do not want to dwell on isolated cases, when a country threatens to withdraw from an international organization because it does not agree with a decision made or refuses to adhere to an international convention, although it participated in its preparation for a period of a decade together with all other states of the world but no longer agrees with some provisions ultimately adopted in a democratic manner. However, I am thinking of more serious acts, such as, for example, the blocking of the global negotiations, among other things, owing to the fact that they are to be conducted within the United Nations and under the authority of the UN General Assembly.

The aspect of the procedural arguments invoked does not seem essential to me; the procedures can easily be arranged when there is a basic agreement on the urgent necessity of solving a certain problem. I am concerned by the desire of some countries to remove a number of decisions of vital interest to all peoples of the world from the sphere of competence of the single organization with a world character which we have and which--despite its deficiencies--permits the adoption of decisions with all states participating with equal rights. And it concerns me because I cannot but associate this desire with the tendency to solve the problems of underdevelopment and of acceleration of the progress of the developing countries not on a global basis and through the specialized organizations that we created for this purpose but on a selective and bilateral basis, depending on the political sympathies or antipathies toward the political leadership of one country or another. /Are not such acts really warning signals of the tendency to ignore the world interdependencies and the unique character of the world economy? Are they not warning signals of the tendency to revive the millennial policy of dividing the world, for purposes of domination, by undermining the principle of mankind's unity of fate, the interdependent character that the economic and social progress of all peoples has?/

Daniel Daianu: I believe that the world is also going through a transitional phase now with regard to finding suitable forms for discussing and solving the international and global economic problems. Under the conditions in which the national economic policies are falling under the influence of more and more external factors--which are not necessarily of a purely economic nature--the need to communicate, to coordinate actions, is becoming felt acutely. The attempts to discuss the problems and to coordinate the actions performed on a global level, as well as a regional one, can be understood better in this light. At the same time, we can also explain the tendencies noted by Conrade Gurgescu from the angle of the processes that tend toward the establishment of a new world balance of power: the world movement of the peoples for national, social and economic emancipation, the scuffle of forces for redividing the spheres of domination and influence, and so on.



It would also note the unusual intensity of the action of the political factor in current international economic relations. In this way, sometimes, a transposition of the ideological confrontation and others into the realm of the economic relations between states is also attempted, with extremely harmful effects for all parties involved or interested in the development of these relations. In such situations, the political factor often seems to ignore truths of the postwar period that are inexorably asserting themselves: the interdependencies are a global reality, with an upward movement; you can put a network of barriers in the path of international cooperation, but you cannot turn back the wheel of history; the national societies have a natural rate (speed) of adjustment--on all planes (including the institutional one)--at a societal level, which depends on a complex of social, economic and political factors that operate in a concrete international context; the economic relations between states are the basis of their interdependencies, which are not just economic.

Baron Chirlian: In my opinion, the manifestation of the current economic interdependencies is altered by the perturbations in the economic field, by the economic crises, especially as they can acquire, as is happening nowadays, a global, world character. The economic interdependencies can be distorted and negative effects can also be imparted to them by the fact that there are, especially under crisis conditions, contradictions between the interests of the different national economies. Negative effects can also appear as a result of the impact of the concrete forms of action, on an international plane, of the economic agents (states, monopolies and so on) to promote their own interests, an impact intensified by national and international political factors. Under these circumstances, /the deepening and expansion of the economic interdependencies are equivalent, in the final analysis, to the growth of the relative importance of the external conditions in the development of the nations/. As a recent UNCTAD report also stressed, these conditions are not, by themselves, a sufficient premise for development, but their character influences significantly the cost and the methods of internal economic growth.

The role of these external conditions is different for distinct groups of countries, and the understanding of their place in the policy of one country or another is also directly determined by the evolution of the world economy on the whole.

Still, recently, the developed capitalist countries started from the premise that their own development and their economic policy determine on a large scale the conditions of the world economy. Consequently, they devoted less attention to this parameter of development in comparison with the accent put on the maintenance and functioning of the international system of economic relations devised in the '50's, corresponding to the given configuration of the balance of power on a world level. Although the world's economy did not operate at all according to the precepts of the conception of the "market economy"--which was the basis of the system devised--the series of multilateral arrangements and agreements, in the field of trade and finance in particular, permitted the functioning of the system for a quarter of a century, on the basis of harmonizing the interests through negotiations. The generalized economic crisis in the past decade has led, at least declaratively, to the more realistic understanding of the fact that in the "management" of the system there is need for the participation of all those who significantly influence the world economy.



At the opposite pole, in the view of the developing countries, the external conditions are the real cause of underdevelopment; at the same time, they also represent the mechanism capable of helping to overcome the condition of one-way structural dependency on the developed part of the world and eliminating the asymmetry of the interdependencies. The assertion of the claims of the developing countries, in the seventh decade, commenced under the sign of demands for reformation, for improvement of the system of international economic relations, as long as the evolution of the economies of the developed capitalist countries did not cast doubt upon the viability of the model of growth and the system instituted by them. After two decades of frustration, when they also witnessed the demolition of the myth of the "uninterrupted prosperity" of the developed countries, the Third World countries have become more and more aware of the fact that, in reality, the external conditions are not at all "neutral" with regard to the type of development that they favor, /that the existing system of relations and the existing international economic order serve to maintain the dominant positions of countries in the world economy and that, in the final analysis, they have proved incapable of overcoming their internal contradictions, of affirming their viability/. Consequently, a basic change, which is also not at all extrinsic to the growth of the awareness of their own economic and political power, has gradually appeared in the position of the developing countries. The objectives of their action involve, at present, the restructuring of the world economy, the institution of fair mechanisms for the exchange of products and activities, that is, the democratization of the system for adopting the decisions on economic matters on a world level, in short, the institution of a new international economic order.

The above things argue convincingly, in my opinion, for the idea that /the accentuation of the interdependencies in the world does not lead by itself to the spread of economic growth, which is and remains the prime result of national development. The elimination of the asymmetrical interdependencies from today's world can be done only through the balanced and harmonious development of the national economies of all countries, through an endogenous policy, but one that, at the same time, must be supported in the most active manner by the action of the external factors/.

Vasilie Radu: The analysis of the phenomena that characterize the world economy's evolution and of the policies promoted by various states with regard to the occurrence of international economic relations leads to the judgment that tendencies--on a theoretical and practical plane--that flagrantly conflict with the objective requirements of the uniqueness and interdependent character of the contemporary world economy are still manifesting themselves. Thus, in the ranks of the developed capitalist countries, especially under the current conditions of economic crisis, it is possible to observe the recourse to measures that, being suited to the interests of economic or political circles in these states, do not take into account the necessity of the normal occurrence of international economic flows, are not directed toward the lessening of the big international economic gaps, therefore toward the elimination of the asymmetries and dependencies, pursuing the throwing of the difficulties of the crisis onto the shoulders of the weaker ones, the maintenance of the status quo, the perpetuation of the international economic relations, principles, flows and mechanisms which were created in the postwar period by the respective states

and which operate unilaterally, to their own economic advantage. However, the main thing cannot be said about the acceptance that the strongly industrialized capitalist states give to the occurrence and regulation of reciprocal economic flows. Recognizing, implicitly, the interdependencies of their economies, these states have begun to promote, with a higher and higher frequency, as the frictional elements in reciprocal economic relations proliferate, conjunctural or structural measures, actions and mechanisms of "adjustment" that harmonize relatively the performance of their economic activities.

The foreign economic policy promoted by the strongly industrialized states--sometimes a reflection of the position of great economic power--violates flagrantly the objective interdependencies in the contemporary world economy. In the current stage, the inflexible conservative position of some Western states and ruling circles in the economy or in the political sphere with regard to solving the acute problems within the relations with the developing countries lies at the profound origin of the discord, contradictions and distrust that have blocked the course of the negotiations regarding the establishment of a new international economic order.

Under the conditions of the serious and profound structural asymmetries in the world economy, of the wide economic and social gaps between the levels of development of the world's states, it is indisputable that the effects of the objective interdependencies have a nature preponderantly favorable to the strongly developed countries and, respectively, unfavorable to the lagging countries. This fact implies the urgent necessity of the manifestation of a growing political will on the part of all states, regardless of their level of economic development and their social and political system, for the identification and promotion of principles, measures and actions that would lead to the revival of economic activity on a world level. In this regard, it is necessary to take into consideration the major interests of all states--to attain the reestablishment of the framework of negotiation for the making of basic changes in the structures of international economic relations, of a nature to secure the balanced economic and social progress of all nations, especially the developing ones/.

The global economic crisis through which mankind has been going in recent years and whose character is not only conjunctural but, above all, structural evinces even more acutely the qualitative aspects of the interdependencies of the world economy. Among them are: the growth of the correlation between the course of the economic activity in the rich countries and that in the poor countries; the strong interaction between the different sectors of the world economy, such as raw materials, energy, trade, financial and monetary relations and so on; the strong reciprocal connection between the current problems of the world economy and their long-term structural aspects; the amplification of the interdependency of the problems of the world economy, of international economic relations and of development and those of peace and security. In such a context, the difficulty of finding and applying effective solutions in one field or another of the world economy without fully taking into account their compatibility with the policies and actions in other sectors has increased. At the same time, /no country or group of countries, no matter how strong it may be, can bring about the emergence of the world economy from this crisis/. The world economy will

point all the better as the solutions that are identified take into account preponderantly the structural aspects of international economic relations on the whole. Beyond a shadow of a doubt, it follows that the starting of global negotiations as part of the process of building a new international economic order, the performance of wide and fair collaboration among all states, and the combining of the efforts of all countries constitute the most suitable response to the current acute problems of the world economy. As Comrade Nicolae Ceaușescu said in the interview given to the newspaper HILLIYET in Turkey, under the current circumstances created by the world economic crisis, "it is necessary to start from the necessity of a global approach to the economic and financial problems.... It is necessary for all states..., especially the developing countries, to be able to participate actively in establishing the solutions that take into account the interests of all peoples."

Victor Iaculescu: At the present historical moment, /the world economic phenomena, the international division of labor and the world economic interdependencies are becoming more and more subordinate to factors with a political action that are putting their imprint on the occurrence of economic relations between states/. At bottom, we must not forget that the current international economic order represents the result of the establishment and maintenance of relationships of power.

He notes more and more the attempt to subordinate the economic development of the developing countries to factors of a political nature, more precisely, to a certain policy that the big and strong countries employ to the detriment of the young states. With good reason, our party's documents speak of a true "policy of domination," this including, naturally, a vast arsenal of means whereby there is a tendency to preserve the old structures, the old influences. The perpetuation of the imperialist relationships of domination and subjugation is being done today by using both methods of an economic nature and ones of a political nature. /Political pressure and interference in internal affairs are being used more and more frequently to obtain economic concessions, while the economic positions that various foreign companies have in the developing countries are becoming an effective means of exerting political influence on the young governments/.

A very brief analysis of the evolution of the current relations in the Third World denotes the fact that the big multinational societies and the foreign companies do not hesitate to use any means to guarantee and secure their interests. In fact, the history of this world has known many coups d'etat and much outside interference, caused precisely for the purpose of perpetuating certain favored interests, just as the policy of drawing the young countries into many alliances, into unequal treaties and into various organizations controlled by the great powers serves, at bottom, their economic interests. /The policy of the zones and spheres of influence is manifesting itself strongly both in the political field and in the economic field. Both methods are used--alternatively or complementarily--to establish relationships of domination that tend visibly to perpetuate the old structures and inequalities/. There is a strong interdependency of all these means, with them complementing each other with regard to their action, when it is a question of perpetuating the relationships of domination to which many countries of the world, especially the small and middle-sized countries, the developing countries, are subject.

The arms race, stimulated especially by the strong, armed countries and raised to the level of a world competition, is inexorably drawing into its orbit the small and middle-sized states, the developing countries, negatively influencing their economy, which it subjects to big sacrifices for the purpose of buying improved arms. The stimulation of the conflicts in the Third World, grafted onto the existence of territorial disputes, of quarrels, sometimes dating back centuries, regarding the ownership of certain territories, also constitutes a means by which an attempt is being made to perpetuate the current economic structures and the asymmetrical interdependencies generating dependency and exploitation, with the worsening of the process of pauperization of the poor countries. As is known, the arms race is profoundly affecting the programs for developing the young states, is diverting important material and human means of these countries from their natural purpose, that of securing the progress and well-being of their own peoples. /The arms policy has become one of the most visible factors that is hindering the recovery of the world economy, the performance of economic relations on new, democratic bases, the matter of alleviating in the interest of the peoples the big problems that now await their solution/. The persistence of conflicts in various parts of the world, the attempts to hinder the access of peoples to independence, and the use of force against the peoples who are trying to assert themselves on an independent plane in international relations constitute another destabilizing element that is impeding the evolution of world economic relations along the natural, mutually acceptable path of the expansion of economic ties and the affirmation of relations of cooperation. The political factor is thus configured as an important element that acts on international economic relations, favoring their development or hindering it, helping to erect or improve the national economic structures or artificially impeding their development.

It should not be forgotten for an instant, in my opinion, that the new balance of power that is now manifesting itself in the world is a primarily political balance. There are important political forces that are now speaking out for innovative changes, while the world economy continues to be grafted onto old structures--dating from the colonial era--and the military order continues to be, in essence, bipolar. /This emphasizes all the more the essential role that goes to the political in the improvement of international economic relations, in the forging of a new order, in the democratization of relations between states/.

Ivaniciu Nicolae-Valeanu: The complexity of the world economy and its market obliges us to use, in the attempt of know and judge it, the newest advances in economic science. One of them, in the field of method and methodology, is the systemic approach on various levels: micro-, macro- and world-economic. Any system is composed of subsystems with different positions and degrees of depth and detail. /If we view the world economy as a system, we can separate the subsystems that compose it, can distinguish the connections between them and understand better the mode of operation of its mechanisms, the way in which the contradictions that are the basis of the current state of crisis are nourished, can decipher more thoroughly the ways to emerge from the crisis and to secure a prosperous future for the whole world economy, in a position to contribute to the well-being of the inhabitants of our planet/.



The systemic approach allows us, I believe, to bring out better the world economy's uniqueness in diversity. Because if it is unique through the very unity of the globe on which we live as rational beings (another planet on which there may be people with whom we may collaborate or may compare ourselves has not been discovered yet), through the division of labor among communities, peoples, nations and states and through the so marked interdependencies in our times, when the planet's resources must be used rationally and not randomly, then in this uniqueness there is a great diversity of the states of affairs, with occasionally great effects and implications for many countries, peoples and social enterprises and for the very future of mankind. To perceive and understand the unity in diversity is just as necessary as to understand the diversity of the states of affairs in the uniqueness of the planet and of the world's economy.

Aurel Tihomir: What do you consider to be basic subsystems--I stress "basic"--of the world economy and how do you judge the relationships between a subsystem and the system?

Ionel Nicolae-Valeanu: I regard the national economy, the national state economic complex of each country, as a key subsystem, as a basic cell of the world economy in our times. The economy of the world of our planet, no matter how worldwide it may be, is not something amorphous, undifferentiated and undetermined in its structure, is not the economy of any utopian "world republic," but is the economy of the nations, of the peoples organized into national states, which offers, in the current historical stage of mankind's evolution, the favorable, most suitable framework for development. A major requirement of our era involves precisely the complex, multilateral and independent development of each national economy, the redistribution, in a new balance, of the national and international efforts to achieve a new economic order among nations that permits the elimination of underdevelopment, the convergence of the levels of development of the countries, raising the lower toward the higher, the exclusion of the possibilities and the elimination of the practices of exploitation and oppression of some countries by others/.

To a certain extent, the current state of crisis of the world economy is due to the obstacles put in the way of the independent affirmation of many countries of the world, of the creation of complexes of national economies able to function as independent, competitive mechanisms within the world economy.

Many of the world's countries have been prevented from achieving at the proper time--owing to capitalism, structured on the exploitation of some classes by others and of the countries of the "periphery" by those of the "center"--complexes corresponding to the independent development of their own economies, not taking this path in our times. We can say that the countries of the former "periphery," now underdeveloped and developing countries, have been formed into peripheral subsystems of the world economy in relation to the subsystems of the developed countries, of the capitalist "center"; between these subsystems there are strong contradictions linked to the imperialist, colonialist and neocolonialist practices of overaccumulation of capital in the countries of the "center" and underaccumulation in the countries of the "periphery," to the transfer of capital and technologies under conditions that handicap the poor part of the world's countries, with their debt to the rich countries now



...to the discriminatory practices, the high interest, the protectionist measures and so on. Protectionism appeared and evolved for a long time as a system to protect the less developed countries from the developed ones. The new protectionism turns things upside down, "protects"--that is, favors--the rich countries from the poor ones, contributing to the growth of the world economic gaps.

The contradiction between the two subsystems--the poor countries and the rich countries of the world--is tending to become a chief contradiction of the contemporary world, along with the basic one, between the subsystem of the socialist countries and that of the capitalist countries. The subsystem of the countries with transitional states occupies a separate place.

Ionel M. Ionescu: In terms of level of economic development, some socialist countries are developing countries; in this case, do they fit into both categories of subsystems?

Ionel Nicolae-Taleanu: Why not? It seems to me that this is a peculiarity imparted to the evolution by the transitional character of our era, when the stages of development imply the coexistence of the different social systems, old and new, when the world's countries are polarized in terms of level of economic development. The subsystems are not "drawers" placed some next to others, but dialectical components of the system, which interfere in their movement and (or) oppose each other, giving rise to stimulatory factors, but also to perturbational factors. I believe that the thesis "Romania, a developing socialist country" offers a good starting point in deciphering the relationships between the subsystems of the level of development and the subsystems that refer to the social and economic character of the development. The membership of countries in different subsystems (some socialist countries belong to the subsystem of the developing countries, and others to that of the developed countries; the capitalist countries likewise; there are also developing countries in a state of transition from the viewpoint of the social and economic order) gives a new look to the contradictions of the current world that economic science and the social sciences, in general, are called upon to elucidate.

It is also possible to view as subsystems the various forms of regional groupings that can have a positive role in the functioning of the mechanism of the world economy insofar as they give expression to more intense, free and independent collaboration and cooperation between groups of countries and are not turned into closed economic blocs. The tendency of autarchization--either of countries, no matter how big they may be, or of economic groupings--is harmful both to those that want to achieve it and to the world economy, whose state of instability it aggravates, since it conflicts with at least two major objective requirements: the independent development of each country, of its national economy, as a basic subsystem of the world economy, and the growth of the degree of the interdependences of the economies of all countries of the world, a fact that emphasizes, once again, the uniqueness of the world economy and market.

Ionel M. Ionescu: In promoting a country's economic development, a decisive role goes, of course, to its own effort and to the national policies to support

economic growth. The countries' own effort and the promotion of suitable economic policies in developing countries or developed countries constitute essential conditions for overcoming the crisis situation of economic growth, and help to resume economic growth at a high rate. At the same time, the overcoming of the current world economic crisis cannot be, in my opinion, a sum of the individual emergences of the countries from the crisis. In view of the fact that the current world economic crisis, having recurring and structural aspects, is, in the final analysis, a crisis of the current international economic order, /we cannot speak of serious concerns for overcoming the crisis by that as positive steps are not taken to rearrange international economic relations, the international division of labor, on new, fair bases/.

Improving the due attention to the internal factors, I believe that, at the same time, it is necessary for us to judge, at their real dimension, the external factors and their role, especially under the conditions of the growth of the interdependencies of the economies of the world's countries. Consequently, the overcoming of the world economic crisis cannot be achieved except in a global perspective, through the understanding of the interdependencies of the developed countries and the developing countries and to the extent of the discovering of common interests of the two groups of countries, at least on a long term, this being of a nature to offer a solution for resolving the contradiction between the rich countries and the poor countries. For overcoming the current world economic crisis it is necessary to replace the confrontation between the developed countries and the developing ones with the wide development of cooperation and collaboration between them, between all states of the world.

Further development: Continuing the ideas expounded by Comrade Chibaciu, who stressed that the serious current world economic problems cannot be solved without understanding the unique character of the economy and of the interdependencies of the states, I would say that one expression of this process of internationalization and political action is the propulsion of the process of creating a new international economic order.

In connection with this, I would like to state that the creation of a new world economic order also represents, at the same time, a process of forging a new political order, without which the progress and the finalization of the process are inconceivable. In my opinion, the political element has the priority when it is a question of establishing the ways and methods through which a new world economic order can be achieved. It is certain that the idea of a new order appeared first in the economic field, as was also natural, given the flagrant inequities and inequalities between states, which have worsened in the past decade and which have led to a process of conscientization in connection with overcoming the current inequitable states of affairs. The conclusion that international economic relations must be changed has been stated more and more during the many ministerial and high-level meetings of the developing countries; but the mechanism of this change proves to be, in essence, to the highest degree, an action of a political type.

Marxist political thought, brilliantly embodied in the work of the secretary general of the party, Comrade Nicolae Ceausescu, has substantiated a true strategy for creating the new order/. It should be noted that, /in the view of

Chairman, the priority importance of measures of a political type, of measures to pave the way for a restructuring of economic relations, is always present. Presenting, at the 11th party congress, a 10-point program of measures that must be taken into account for establishing the new international economic order, Comrade Nicolae Ceausescu put in a prominent place /the elimination of the old relations of inequality, of the oppression of some peoples by others, the elimination of the imperialist, colonialist and neocolonialist policy/. The idea that, in Romania's view, /the resolution of basic political problems represents the keystone for the restructuring of economic relations/ is clear from the very content of the proposed measures. In its turn, such a structural change in international relations will directly influence political life, the forging of new international relations. As Comrade Nicolae Ceausescu stated at the 11th party congress, "The establishment of relations of trust, collaboration and peace in the world depends directly on the elimination of underdevelopment."

In particular, at the present historical moment, it is necessary to eliminate from international life the policy of force and the threat of force, the old practices of domination and subjugation, to combat any attempts to solve the world economic problems with limited participation, any tendencies to shatter the unity of the developing countries, to perpetuate the policy of pressure and interference in their internal affairs. Particularly dangerous are those manifestations that tend to impose on states--small and middle-sized countries especially--policies contrary to their national interests, for "molding" their foreign and domestic policy, in conformity with the interests of foreign circles, without consulting the peoples and against their will. Unfortunately, it is a reality of our times that economic means are used more and more as an instrument of political pressure by some big countries, and the fact that the market of strong states conditions, on the basis of subjective elements, of strategic interests, of advantages in the competition for zones and spheres of influence, and so on, their attitude toward the problems of economic aid for the Third World and of the development of relations between various countries. Condemning such practices, the national party conference stressed that it is necessary to put an end to the economic sanctions and pressures, to firmly reassert the principles of equality and fairness in the relations between states.

In the perspective of history, the creation of a new world economic and political order implies, inevitably, the radical transformation of the institutional structures (both economic and political), the abolition of the forms of cooperation advantageous only to certain countries, the promotion of democratic international forms and mechanisms, the generalization of respect for the principles of international law, the creation of relations between states based on trust, on respect for the dignity and equality of each people.

During the session, I believe that it is time to conclude our discussion of today. All the participants had the possibility of presenting their considerations regarding these aspects that especially concern them in connection with the theme put in discussion.

There were formulated--in the spirit of a free exchange of ideas--a number of ideas on which we have the duty to reflect carefully during our later

perhaps. I emphasize this because the problems examined are so complex that no one could imagine that all the aspects that they involve would be exhausted in a discussion of a few hours. The goal pursued was that of stimulating each other's thinking, of pointing out to each other some aspects neglected or insufficiently clarified thus far, so that we can improve together the research in the field of the world economy.

In the center of our discussion was /the idea of the stronger and stronger world interdependencies, which prescribes the resolution of the basic problems of the world economy through the expansion of collaboration among all states of the world on the basis of the basic principle of their sovereign equality/. This requirement is all the more important because the contemporary world is composed of states with different social and political systems and of countries between whose levels of economic development there are considerable gaps.

We did not dwell on the differences of principle existing between the countries that have adopted the socialist system and the ones that still belong to the capitalist system, since it is a question of a reality obvious to all. This defining reality of the contemporary era has put and is putting its imprint on all aspects of the relations of collaboration between the countries of each particular system and on the specific ways in which they determine their process of expansion of reciprocal collaboration. Starting precisely from this reality, our party documents and the works of Comrade Nicolae Ceausescu always approach the problems of Romania's participation in the world circuit of values by putting first and foremost the expansion of collaboration with all socialist countries, especially the CEMA member countries. From the same reality also comes the great topicality of the preparation for the high-level conference of the CEMA member countries for solving, with joint efforts, the economic problems situated in the center of concerns of these states.

In various forms--the OECD (for all rolled into one), the Common Market (as an integrationist organization of a limited number of West-European countries) or the periodic high-level conferences--the capitalist countries are trying (even if they do not always succeed) to resolve their differences of interests.

We did not dwell, either, on the basic differences of interests between the developed capitalist countries and the immense majority of the world's countries, developing countries, or on the forms of reciprocal collaboration that are set up among the latter on a subregional, regional (continental) or global level. Much literature has also been published on these problems.

The diversity of social orders and of levels of development and the specific natural conditions of each country find their expression in the immense diversity of interests and of viewpoints characteristic of the world in which we live. /What concerns us are the need and the methods through which it is possible to harmonize these divergent interests, to find zones of convergence and compromise relations, so that we can emerge together from the serious global economic crisis that is affecting all of us, is generating conflictual states and is creating favorable ground for speeding up the arms race/. The problem is posed all the more because the developed capitalist countries are laboring under the delusion that they could emerge from the crisis by themselves,

...representing the interests of the wider part of the international economic life. The position is indeed all the more serious as we are on the eve of the proclamation of the Ninth UNCTAD, and our mission will directly be established right during the holding of the proceedings of this big world conference. What concerns us is the stressing of the obligation that devolves upon all states to contribute to finding constructive solutions acceptable to all participants, so that collaboration on a planetary scale will really become a factor for stimulating the economic and social progress of all states, for creating the premises so that, in the future, the world's countries will compete with each other through feats put in the service of a better life for the people and not through the production of arms meant to exterminate one's fellow creatures.

In the view of the Romanian Communist Party, Socialist Romania and Chairman Nicolae Ceausescu, this is, at bottom, the supreme cause to which we must devote our efforts.

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## COUNTRY'S INTERNATIONAL ECONOMIC RELATIONS DISCUSSED

Bucharest REVISTA ECONOMICA in Romanian No 28, 15 Jul 83 pp 15-16, 20

[Article by Dr Ioan Georgescu]

[Text] One basic orientation of our country's foreign policy is the expansion under mutually advantageous conditions, of its economic relations with an increasing number of other countries on all the continents, as a condition for the rapid economic development and growth of socialist Romania's material and cultural strength. As Nicolae Ceausescu, secretary general of the party, stated in his Report to the National Conference of the RCP of December 1982: "The development of a large international economic collaboration, of economic exchanges with all the nations in the world, independently of social order, is an objective necessity for the proper pursuit of our country's socioeconomic activity."

Romania currently maintains trade relations with 150 countries--a 15 percent growth with respect to 1975--having concluded with them more than 300 trade and economic collaboration agreements and understandings. With justifiable pride, the Report to the 12th Congress of the RCP commented that: "It can be said that more than ever, our country has expanded its collaboration with other nations, has friends in all latitudes and longitudes, and is enjoying well-deserved prestige on the world markets, its policy being esteemed and respected as a notable contribution to the cause of independence for nations, and for detente and peace in the world." The dynamic concept supported by our party and state about foreign economic exchanges, in keeping with the realities of the modern world, is reflected by the attention devoted to providing a most favorable institutional framework for modern forms of international economic cooperation. Based on numerous economic cooperation agreements and understandings, Romanian foreign trade companies currently pursue an extensive industrial and technical-scientific cooperation activity, and participate in joint companies for production, trade, banking, transportation, and insurance, both at home and abroad. It should be pointed out that even under the unfavorable conditions of the world market during recent years, our country has continued to persevere in diversifying economic exchanges and expanding production cooperation with all nations in the world,

Table 1. Structure of Romania's foreign trade by groups of countries (in %).

	1970	1975	1980	1981
Socialist nations	56	44.8	40.6	43.6
of which CEMA member nations	49.3	38	34	38.3
Developing countries	8.2	18.5	28.8	26.9
Developed capitalist countries	35.8	36.7	30.6	29.5

independently of social order. Particular attention has been devoted to measures aimed at increasing exportations and judiciously managing funds allocated for importations, so as to achieve an active balance of trade and consequently obtain the currency necessary for repaying part of its foreign debt.

#### Diversification of Exchanges by Geographic Zones

An analysis of our foreign trade by groups of countries demonstrates the attention which Romania has devoted to the development of economic collaboration with socialist nations. Thus, although socialist nations as a whole account for about 10 percent of the world trade, they represented 43.6 percent of our foreign trade in 1981, 38.3 percent of which with CEMA member nations. As shown in table 1, this position has been consistent in Romania's foreign trade policy.

Speaking to the National Conference of the RCP of December 1982, about prospects for the development of economic collaboration among CEMA member nations, the secretary general of the party indicated that: "At present, we believe that we must devote priority to solutions for better satisfying member nation requirements for energy, fuels, and raw materials, and to achieving production specialization and cooperation so as to make full use of created production capabilities and reduce investment costs in various sectors." The balance of trade of the product group "fuels, mineral raw materials, and metals" thus indicates an excess of 31 billion rubles for CEMA member nations as a whole (1976-1980), demonstrating the potential capability of these countries to meet their needs for these raw materials from their own resources, through better correlation of mutual exchanges (F. Magereanu, "Foreign Trade of European CEMA Member Nations," REVISTA ECONOMICA, No 45/1982).

Consistent in its statements and actions to develop cooperation with CEMA member nations and all socialist nations, Romania is also acting to expand its cooperation with other developing as well as developed capitalist nations, on the basis of principles of peaceful coexistence, equality, and mutual advantage. In Romania's concept, that of chairman Nicolae Ceausescu, the present difficulties of the world economy can be overcome only with the broad participation of all countries in greater economic and other collaboration.

Table 2. Structure of Romania's exportation by continents and zones.

	Proportion in Romanian exportation (%)		
	1970	1975	1981
Europe	82.68	71.84	58.50
Asia, of which	11.77	17.68	26.57
Near and Middle East	5.11	9.11	19.53
Asia without Near and Middle East	6.66	8.57	7.04
Africa	3.01	5.27	6.47
America, of which	2.25	4.08	7.24
North America	0.97	2.21	5.26
Latin America	1.28	1.87	1.98
Oceania	0.04	0.06	0.11

Source: Romania's Statistical Year Book, Bucharest, 1982

Taking concrete actions to implement the requirements for establishing a new international economic order, to eliminate economic gaps, Romania has undertaken and succeeded in imparting an exceptional impetus to its economic exchanges and cooperation with developing nations. The trend toward homogeneization in the development of exchanges by geographic zones, is demonstrated by a concentration indicator for exchanges on the five continents and seven large geographic zones. In the case of continents, for instance, the concentration indicator has dropped from 0.8360 in 1970, to 0.6498 in 1981.

This drop in the exchange concentration indicator is due primarily to a reduction in the role played by Europe during the past decade, paralleled by a strong increase in the ratio held by Asia, Africa, and America. The zone breakdown shows an even stronger dispersion of exchanges (lower concentration indicator), a continued drop in the indicator (from 0.8138 in 1970, to 0.6266 in 1981), and an expansion in the geographic area of exchanges.

#### Economic Development, Foundation of Intensive Exportation Growth

In foreign trade activities, Romania's position as developing socialist nation is reflected in the volume of this trade per inhabitant, which in 1980 was \$1008/person, compared to \$2207 for Bulgaria, \$1961 for Czechoslovakia, \$1672 for Hungary, and \$2174 for GDR. This situation proves that efficient participation in the international division of labor can grow only through economic development. At the same time, the interdependent development of the world economy, a fact that can no longer be ignored at the present time, causes unbalances, as well as structural, financial, currency, and political crises to reflect on all participants in international economic relations, and thus on Romania's foreign trade.

Under these difficult export market conditions, Romania has succeeded in obtain a surplus of 1.8 billion dollars in its trade balance in 1982.

Table 3. Exportation of machine building industry products.

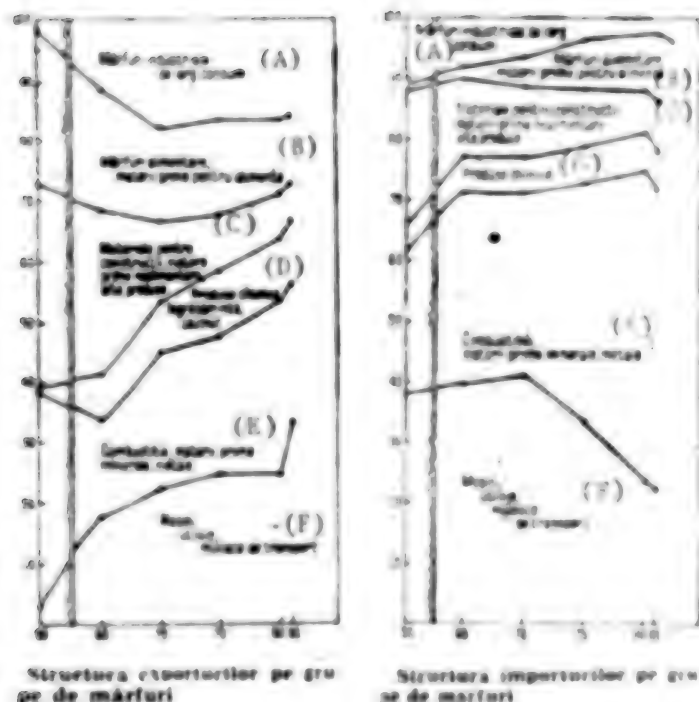
		Production	Exportation	Export/Production Ratio (%)
Tractors (each)	1980	70,873	48,299	68
	1981	68,093	66,122	97
Sea vessels (each)	1980	17	5	30
	1981	26	13	50
Lathes (each)	1980	7,779	2,300	30
	1981	7,944	2,296	29
Electric and diesel locomotives for main lines (each)	1980	276	59	21
	1981	249	152	61
Automobiles (each)	1980	79,321	14,321	19
	1981	80,082	21,785	27

Source: Romania's Statistical Year Book, Bucharest, 1982

During the postwar (1950-1981) evolution of Romania's foreign trade, 1979 proved to be the crossover point between the industrial production growth curve and the exportation growth curve, that is, the moment at which exportation growth exceeded industrial production growth, a condition that continues at present. Some examples of the products exported by our machine building industry are eloquent illustrations of the ability of Romania's industry to offer on the world market an increasing volume of competitive products (table 3).

In the chemical products group, Romania--which is among the 10 largest producers in the world--covers about 1 percent of the world market for exported chemical products, a position that is clearly higher than our country's worldwide exportation, which is 0.6 percent. This evolution is the result of the significant investments made to develop our organic and inorganic chemistry so as to derive greater value from the country's natural resources.

At the same time, it should be pointed out that the orientation toward currency self-management in branches, a basic directive of our foreign trade policy, only began in 1981. Instead of contributing surplus currency to cover the large deficit in the balance of payments created by the importation of the group "fuels, mineral raw materials, metals" (34 billion lei in 1981), product groups such as "raw materials for the production of food products" have increased this deficit by another 7 billion lei. The time has come to reconsider the use of land as the country's main natural resource, a direction in which the recently adopted program for rational land utilization will play an important role.



Exportation (left) and importation (right) structures by groups of products.

- Key: (A) Industrial consumer goods  
 (B) Food products, raw materials for foods  
 (C) Construction materials, non-food raw materials, other products  
 (D) Chemical products, fertilizers, rubber  
 (E) Fuels, mineral raw materials, metals  
 (F) Machinery, tooling, means of transportation  
 (G) Chemical products

In keeping with the concept that trade must represent an efficient instrument for economic growth, a factor in the superior exploitation of natural resources and manpower, the contribution of foreign trade to national revenue production in our country is increasing, currently exceeding 31 percent. The export volume for 1982 was 151.8 billion lei, with the proportion of highly processed products in the exportation structure increasing to about 57 percent of the total. An overwhelming proportion of the total importation volume, which was 124.9 billion lei in 1982, consists of means of production, a significant position for the development effort which Romania is currently making (see figures).

To be expected in the future are structural changes in importations generated by reduced consumptions of raw materials in the processing industry, and the support of raw materials requirements for the light and food industry from domestic production, concurrent with more intensive participation in the industrial transfer of technology, as a characteristic feature of the intensive economic development which we are presently undergoing.



The large proportion of fuels, food and non-food raw materials, and metals in our total importation volume—over 70 percent—sensitizes the balance of trade to changing prices in basic raw materials, including oil. The "oil shocks" of 1973-1974 and 1979-1980 are thus reflected in large disequilibria in this balance.

To view the results of foreign trade isolated from other entries in the balance of payments is a practice which can prejudice the results of foreign economic relations as a whole. Thus, in addition to the equilibrium of the balance of trade by product groups, machinery and tooling, one must also consider the technologic balance, namely licensed trade, the exploitation of original products and technologies on foreign markets, and the protection and exploitation of industrial proprietary rights. Equally as important however, is the prompt application of imported licenses, since it is known that the passage of time acts against the license holder.

Extremely interesting correlations also exist among the other chapters of the invisible trade and the balance of trade. For instance, the indirect exportation of agricultural and light industry products, as well as craftsmanship goods through the channels of international tourism, multiplies by several fold the currency obtained for these products. Similarly, the recovery time for investments to develop housing and recreation facilities for tourism, is much faster than in any other economic area. Attracted by this specific aspect of tourism, many capital holders on the international market are interested in investing in cooperative actions for tourism, particularly in highly attractive zones such as our country.

The development of banking services for obtaining, guaranteeing, and insuring export credits can also greatly facilitate current export-import operations, primarily by avoiding short-term credits with exorbitant interests. "The Romanian cooperation formula," with payment in products manufactured at the plants built through cooperation, as well as the other forms of industrial cooperation practiced in our country, match the economic and financial payment capabilities of partner developing nations, offering opportunities to both parties.

Many economists in developed capitalist countries have postulated the configuration of a future international division of labor in which the developed capitalist countries will play the role of service suppliers: scientific research, technical development, engineering, know-how, management, marketing, as well as financial, commercial, transportation, and insurance services, all of them very well paid as a result of the monopoly position which they want as exclusive as possible, with the other countries remaining suppliers of goods and services in the conventional sense.

That is why one objective of the new international economic order is to provide access for all countries, especially developing nations, to the development of the tertiary sector, in the sense of science, technology, education, management, and so on, so as to establish foundations for independent development, and to more rapidly eliminate gaps in the modern world.

The traditional notion of foreign trade has become too narrow to encompass in its sphere all the diverse current operations by means of which goods, services, rights, and intellectual property are transferred among nations. Far from being solely a theoretical construct, the notion of international economic relations designates a range of activities, which under the present conditions of international trade and ancillary operations, determines to an increasing extent the outcome of participation in the international division of labor.

One feature is the trade policy treatment applied by partners. For instance, it does make a difference whether our country, as a developing socialist nation, does or does not benefit from customs preference systems granted by a number of developed capitalist countries. The existence of these preferences requires that foreign trade enterprises be able to use them by knowing the operating details of each national system and by prompt market action. Similarly, the use of the "most favored nation" clause, mutually offered in bilateral trade agreements, requires extensive and pertinent market information about the trade conditions practiced in concrete partner transactions with companies in other (favored) nations. It should be stated from the beginning that this specific negotiation, documentation, and information work is recovered from its economic results, which correspond to customs reductions of up to 30 percent of the exportation price--or conversely, increases of up to 30 percent in the exportation price of the goods. Organization for exploiting trade policies--including foreign trade enterprises--thus also appears as a means for intensively increasing exportation revenues.

Another type of activity included in the modern notion of industrial economic relations, involves commercial services such as insurance of export credits, gathering of foreign credits, international discounting, compensation operations, barter, freight, international transportation, advertising and international marketing, and so on. Without discussing specific aspects of each of these services, it should be pointed out that as a total, the commissions paid for them can amount--including credit interests--to more than 30 percent of the exportation price of the goods (but in practice, they do not all occur on the same exportation contract). Either due to lack of practical experience, or because of subjective prejudices, the possibility for increasing currency revenues by having Romanian enterprises render services associated with foreign trade, is ignored, inevitably allowing foreign companies (agents, intermediaries, and so on) to fill these needs. The most illustrative example are stock exchange or arbitrage operations, which must arise when exchange goods are offered on foreign markets (agricultural products, metals, and so on). In the absence of direct participation in the transactions, part of the obtainable price is captured by the companies involved.

A third characteristic of international economic relations is the rapid growth in the transfer of intellectual property rights. Under the impetus of the information processing revolution that dominates today's technical-scientific revolution, the matter-idea relationship--or the exportation of goods--

exportation of intelligence relationship--is modified in favor of the latter. In our foreign trade practice, turn-key projects usually include services (engineering consulting, know-how, management, personnel instruction, and so on), amounting to more than 25 percent of the objective's total value. In data processing, the reorientation of large producers from equipment (hardware) to programs (software), at ratios that can reach 80 percent of the invested capital, also expresses the attention devoted to the exportation of intelligence. The organization of flexible structures for offering engineering services, the granting of licenses for patents held by our country, and the pursuit of a vast economic publicity about the achievements of Romanian science and technology, can contribute to growth for this posting in our country's balance of payments.

Another feature which can expand the sphere of international economic relations, is the development of the tertiary sector at a very rapid rate in the modern economy, concurrent with the demand for such services as health protection, tourism, culture, education, and knowledge, with the result that the revenue from international tourism and associated services in the majority of the "old continent" countries, will play a very large role in the balance of foreign payments. Together with commercial services and engineering, tourism services (rest, treatments, culture, meetings, and so on) brought to the standards of international travel, can make a greater contribution to the country's currency revenues.

And lastly, the unequal endowment of different countries, branches, companies, with means of production (technical and economic innovation, raw materials and energy resources, production capabilities, highly qualified personnel and staffs, trademark and distribution networks, management, marketing) generate, in the struggle for competition, the most varied formulas of industrial, commercial, financial, and technical-scientific cooperation.

Of course, results can differ as a function of the quality of resources with which each party enters into international economic cooperation actions. That is why, the risks of becoming involved without preliminary sound feasibility studies are as great as the advantages obtained from cooperation.

The faster our foreign trade system acts in the direction of integrated international economic relations (in the comprehensive sense of the notion), the greater will be the advantages of participating in the international division of labor.

## ROMANIA

### IMPORTANCE OF INDUSTRIALIZATION IN DEVELOPMENT OF ECONOMY

Bucharest FRA SOCIALISTA in Romanian No 13, 10 Jul 83 pp 10-13

[Article by Prof Dr Dumitru Pagna: "Balanced Development of National Economy Depends on Industrialization"]

[Text] Nicolae Ceausescu said, "Intensive development of socialist industry and allocation of the productive forces for industrial progress in all counties have been and are the essential factors for the victory of socialism and the start of construction of the fully developed socialist society and the advance toward communism."

The present stage of construction of the new order in Romania brilliantly illustrates the inestimable theoretical and practical value of the Ninth Party Congress, which inaugurated a period of unprecedented dynamism in the development of Romanian socialist society, great creative progress on the part of the workers, and radical revolutionary changes on all levels of socioeconomic activity.

Now that we are compiling, with legitimate pride, the balance sheet of the gains made in the last 18 years by the Romanian people under the party's far-sighted leadership, we can judge the viability of the Ninth Party Congress' decisions and directives, which has been fully demonstrated by the increased economic potential, by the rate of modernization of the productive forces, and by the radical improvement of production relations and the socialist superstructure.

This period is chiefly characterized by the party's creative development of revolutionary thought, reflected in its application of the economic and social laws of socialist construction to Romania's particular historical conditions in keeping with the great changes science and technology have made in the development of the contemporary world economy.

#### Industry As the Main Motive Force of the Economy

All the work accomplished in these years, which is vast in its proportions and unequalled in the past evolution of the Romanian economy, is dependent on the personality of Party Secretary General Nicolae Ceausescu, whose contribution to the preparation and implementation of the strategy is decisive and of

inestimable theoretical and practical value. Taking a creative approach to the particular problems of national economic development, Nicolae Ceausescu developed and substantiated a modern and original, truly revolutionary, uniform and far-sighted conception of the stages and growth rates of the national economy, the structure and best correlation of its sectors, its technical level, and ways of making better use of its material and manpower resources, as well as the regional distribution of the productive forces, the correlation between growth and improvement of production and its greater participation in the international division of labor, and the role of the qualitative factors.

As Nicolae Ceausescu pointed out at the Ninth RCP Congress, "The RCP is still emphasizing national industrialization and priority development of heavy industry and the machine building industry especially, without which Romania's rise to a high level of civilization and prosperity and its advance toward communism are impossible. In the period of the intensive worldwide scientific-technical revolution, it is vital to industrialize with the most advanced technology and to keep applying the latest scientific advances to production, with emphasis on mechanization and automation of the production processes, which are indispensable to development of a modern industry and economy."

Basing his conception on careful study of the objective laws of social development and the whole evolution of international affairs in close combination with his constant contact with the masses of workers, while proceeding from creative application of the general principles and truths of scientific socialism to Romania's particular conditions and distinctive features, Nicolae Ceausescu determined the essential characteristics of the evolution of Romanian society in the period of construction of the fully developed socialist society and the advance toward communism.

The RCP and its secretary general feel the strategy for building a modern and highly developed economy that will meet the demands of socialist and communist society calls for a harmoniously developed national complex combining industry, agriculture, construction, circulation of goods, transportation, services, scientific research and the manpower training and improvement system all in one optimal structure. The activity in all these fields must be highly dynamic and flexible, very capable of assimilating and promoting the new, and highly effective economically and socially. Within the national complex industry is to be the motive force for development of the whole economy and especially of its main sectors directly related to scientific and technical progress and capable of promoting all that is new and advanced throughout the economy.

The steady growth of the industrial output at an average annual rate of 12 percent, the increase in the national income and social product by 15 times, and the tripling of agricultural production make the Romanian economy one of the most dynamic in the world (See table below).

The high rate of development of the Romanian national economy and the dynamic growth and modernization of its productive forces were also due to the historic decision approved by the Ninth Party Congress to allocate a high proportion of the national income to accumulation. As the experience of Romania and other countries has proved, allocation of one-third of the national income to socio-economic development permits a high developmental rate making it possible to



eliminate the lags behind other countries more rapidly and also to further increase the national income and the consumption fund. In 1966-1970, when the accumulation rate was 28.8 percent, the consumption fund showed an annual average gain of 6.3 percent. In the 1971-1975 period, when the accumulation rate was 31.1 percent, the consumption fund increased at an annual average rate of 7.6 percent, while in 1976-1980, when the accumulation rate was 33-34 percent, it increased at a rate of 8 percent.

Evolution of Main Indicators of Socioeconomic Development 1950-100

	1970	1975	1981	Average Annual growth rate 1951-1981
Employed population	117.9	121.2	123.9	0.7
Number of working personnel	241	297	350	4.1
Fixed assets	337	534	895	7.3
National income	599	10 times	15 times	9.1
Industrial output	11 times	21 times	34 times	12.0
Agricultural output	212	289	346	4.1
Retail sales in socialist trade	683	10 times	16 times	9.5
Per capita real incomes	263	366	477	5.2

Source: Statistical Yearbook of Romania 1982.

Although the accumulation rate is lower in the current five-year plan due to the higher level of the national income, the absolute volume of the accumulation fund is greater than in the last five-year plan, and the average annual growth rate of the consumption fund remains at 8 percent.

The strategy for the nation's economic growth has proved its capacity to adjust even under the difficult conditions of the world economic crisis, which struck the most heavily at the underdeveloped and developing countries and caused imbalances in the use of the productive factors, with bad effects upon the development effort and the economic and social discrepancies in the world economy. Although we have not escaped the bad effects of this crisis, the Romanian economy has developed steadily and continues to do so.

In view of the vital role of industry in the whole development of society and the relatively low developmental level of Romanian industry in the past, the RCP has made industrialization the basic factor for economic and social progress.

If the RCP had not taken firm and consistent action to develop the productive forces and to create and develop a modern, independent industry based on the latest scientific and technical advances, Romania would still be an underdeveloped country dependent on the industrialized countries. Industrialization alone made it possible to win the victory of socialism, to develop the technical-material base of agriculture, to raise the developmental levels of all regions, counties and localities, to develop education, science and culture, and to keep enhancing the entire people's material and cultural welfare. Industrialization was indispensable to the rapid development of the other sectors and to the necessary balance achieved by assimilating the advanced productive forces.

## Rational Balance Between Industry and Agriculture

The RCP considers development of industry and agriculture on the basis of modern scientific advances to be the decisive factor for successful construction of the fully developed socialist society. Nicolae Ceausescu pointed out at the Ninth Party Congress that agriculture, as a vital factor in the national economy as a whole, must make a growing contribution to national progress and to the people's greater welfare.

In the course of further modernization of the national economy in the years since the Ninth Party Congress, the RCP has taken account of agriculture's very important potentials as a source of renewable raw materials for industry, agricultural food products for the public, and surpluses for export and has emphasized its place and role in the economy as a major sector. Application of this important policy made it possible to create a strong technical-material base, to reorganize agriculture fundamentally, and to expand the application of modern, scientific production methods, all of which approximately doubled the gross agricultural output in the 1960-1981 period at an annual average growth rate of 3.7 percent.

The ratio between industry and agriculture is viewed not only as a quantitative proportion but also as a qualitative one requiring major economic and social changes in both agricultural and industrial development. Accordingly the whole new agrarian revolution as well as industrial development were planned so as to secure the more rapid growth of the subsectors that make the producer goods needed for development of the technical-material base of agriculture and for better processing of the agricultural products.

The Ninth Party Congress marked a real turning point in the policy of promoting science and technology, industrializing on the basis of the most advanced technology, and applying the latest advances in world science to production. Practical application of the party secretary general's revolutionary ideas about close correlation of research with education and production was the basis for the intensive development of Romanian scientific thought and more intensive technical equipment of industry and the national economy as a whole.

More rapid industrial development of the economically backward regions, counties and localities was a main component of the plan for Romania's socialist industrialization. Rational and balanced allocation of the productive forces throughout the country is intended to equalize the counties in per capita industrial output, use of local material and manpower resources, town planning and modernization of the localities, and creation of all economic conditions needed for the advancement of the working class, socialist democracy, and full equality of rights for all citizens in all Romanian localities.

The strategy of rapid national industrialization was focused on building an advanced, internationally competitive economy in a relatively short historical period by allocating an increasing volume of investments to industry, by making better use of material and manpower resources, by applying the latest scientific and technical advances to production, by all-around and balanced development of the sectors and subsectors with special emphasis on those directly connected with technical progress, and by rational economic utilization of the productive forces of the country's decentralized economic structure. In 1981

industry produced 63.8 percent of the value of the social product compared with only 44.7 percent in 1955. In the same period its contribution to the national income rose from only 39.8 percent in 1955 to 57.2 percent in 1961.

Intensified construction of a modern industrial structure through more rapid development of the sectors and subsectors upon which introduction of technical progress throughout the economy depends considerably increased the proportion of such sectors as heat and electric power, metallurgy, machine building and chemistry from 73.6 percent in 1950 to 42 percent in 1966 and 55.7 percent in 1970. Thanks to the regular increases in the developmental rates of the machine building and chemical industries, in 1980 those two industrial sectors alone produced about 44 percent of Romania's total industrial output.

The emphasis on development of the various industrial sectors and subsectors demonstrates once again the profoundly scientific and far-sighted character of Nicolae Ceausescu's conception. He says that the question of industrialization was raised very emphatically as a vital factor for Romania's economic progress at the National Party Conference back in 1945, but actually the industrialization sectors were in great part underrated and overlooked in the first three five-year plans, partly because due importance was not attached to the development of such modern industrial sectors as electrical engineering, electronics and precision machinery, and partly because due attention was not paid to development of Romanian scientific thought and research or to promotion of technology in step with the worldwide scientific-technical revolution.

The ratio between production of producer goods and production of consumer goods is one of the essential proportions upon which the balanced development of industry and the whole national economy depends. Nicolae Ceausescu's directive back in 1967 was of vital importance in making this correlation. We all know how important priority development, in the course of socialist industrialization, of the industries making producer goods is to development of the economy as a whole. Nevertheless experience has proved how harmful it is to all-around social progress and to the people's living standard to make an absolute or a fetish of production of producer goods and heavy industry to the neglect of agriculture and the consumer goods industries. The ultimate aim of industrialization is to accelerate the increase in the producer goods needed for the rapid equipment and development of all sectors of the national economy upon which satisfaction of the entire people's consumer demands depends, while providing the resources for expanded socialist reproduction and further social progress. This aim, as applied to economic activity and the plans for socioeconomic development, led to a trend toward continuous leveling of the growth rates of the two groups of industries. While the average annual growth rate of Group A's production for the whole 1951-1971 period was 13.3 percent, exceeding that of Group B by 1.36 times, it exceeded it by 1.27 times between 1966 and 1981 and by 1.25 times between 1971 and 1981.

Special attention was given to improvement of the varietal structure of consumer goods in keeping with the trends in the public's consumer demand, with increasing emphasis on products of better quality with a high degree of comfort and easy to maintain. Major progress was made in diversification of the output, application of technical-scientific research results to production, improvement of manufacturing technologies, and development and modernization of the finishing sectors, resulting in manufacture of products of better quality with a high use value.

## Quality and Economic Effectiveness Is "Hot" Air

To fulfill the main objective of achieving a new quality of work and life in all fields, the 15th Party Congress opted for promoting the intensive factors of development. In pursuance of this strategy steps have been taken to modernize the economic structures, especially from domestic sources of energy and raw materials, to consistently apply the management system based on economic-financial self-administration, to enhance the role of scientific research and advanced technology, to promote an advanced policy of conservation of raw materials, materials, fuels and energy, and to intensify international economic cooperation.

A higher quality of the national economy calls for considerable gains in labor productivity and in industrial and agricultural production, reduction of costs per unit of output, and maximum sales of Romanian products on the world market. The more pronounced development of the contribution of science as a stimulus to socioeconomic progress is lending more and more substance to the workers' persevering efforts to produce as much as possible as well as possible of the highest possible quality at the lowest possible costs per unit of output. At the recent Plenum of the National Council for Science and Technology Nicolae Ceausescu emphasized the telling contribution of scientific research to the prompt solution, on an adequate technical level, of the complex problems of socioeconomic development and the achievement of a quality of work and life, on the basis of the scientific-technical revolution, that calls for greater responsibility on the part of scientists and scientific and technological research for implementing the research programs in every field of activity.

Industrial production is being restructured to cope with the demands of the scientific-technical revolution and the effects of the energy and raw materials crisis. The efforts are intended to raise the technical level of all sectors of the national economy, to make better use of the natural resources and the labor force, and to intensify the industrial restructuring process by developing the peak sectors and the sectors and subsectors that consume less energy and raw materials with great economic effectiveness.

This policy with its profound implications for Romania's economic growth and general progress has made it vital to expand the domestic sources of energy and raw materials, which has been defined as the priority objective of the industrial policy in this period. To this end it is intended to intensify geologic efforts to discover and exploit new deposits of useful minerals, and the greatest importance are placed on the exploitation of oil, natural gas, coal and ferrous and nonferrous ores as well as nonmetallic substances. Achievement of Romania's fuel and energy independence remains a steady involvement of electric power production through more intensive use of coal and bituminous shales, exploitation of the hydropower potential, construction of nuclear electric power plants and use of new atomic resources available in a strict regime of conservation of fields and electrical power. In view of the world-wide shortages of utilities and risks involved in the use of some synthetic fuels in the near future, the state economic and enterprise planning will take into account the development of the domestic oil and gas reserves and their rational utilization. The state enterprise documents will include the exploration and exploitation of the oil and gas fields in the country.



One of the main means to this end is to restructure the industrial production sectors for priority development of the advanced processing sectors and subsectors and manufacture of competitive products on a high technical level that do not consume much energy. Pursuant to this policy the sectors and subsectors are being developed that make better use of the material and manpower resources and play a critical part in achieving a modern and highly efficient structure, such as the electronic and electrotechnical industry, production of machine tools and precision machinery, production of special, alloy and high alloy steels, production of rolled products, and production of ammonia, drugs, plastics, synthetic threads and fibers, detergents etc. The building materials and wood processing industry is also being developed, with special emphasis on intensive use of the timber.

The PC believes a modern and dynamic economy must be characterized both by steady growth rates of material production and by continuing improvement in product quality. The sustained effort to improve the latter is graphically illustrated by the assimilation of more than 10,300 new types of highly sophisticated machines, equipment, devices and installations, over 5,100 new consumer goods and materials, and over 9,000 new and modernized technologies during the 1976-1980 Five-Year Plan alone. In this five-year plan 47 percent of the value of the processing industry's commodity output is in new and modernized products.

To make a radical departure in product quality, a number of measures have been taken to improve operations in the design and manufacturing stages, such as those to raise the standards in keeping with the new trends in technical progress, supply of units with measurement and control equipment, and tighter technical control in all stages of the production process. These measures will contribute effectively to the efficient assimilation and manufacture of quality products on a high technical level and will result in a modern and very effective industrial structure. At the joint session of the National Council of Industrial Workers and the National Council for Agriculture on 25 May 1983, Nicolae Ceausescu pointed out the need of special emphasis on upgrading the technical level and quality of the products, making the best possible use of the labor force and the modern inventory to manufacture products competitive on the international markets.

Greater economic effectiveness, as a prerequisite for development of the socialist economy and for Romania's general progress, is one of the major aims of the strategy for developing the national economy which the party has specially emphasized in the current five-year plan. The workers collectives are making persevering efforts toward growth of labor productivity, general reduction of inputs of raw materials, materials and energy and of material production outlays, and reuse and recycling of all resources. Considerably more intensive use of the production capacities is particularly important. The fixed assets per employed person increased from 24,710 lei in 1950 to 179,808 lei in 1980. In 1982 alone the fixed assets increased by 9 percent and the national wealth increased by 7 percent, but the gross and net effectiveness of the use of this technical resource fell short of the requirements. Consequently there is a discrepancy between production growth and the existing technical-material resources, with bad effects upon the growth of profitability, of profits, of labor productivity, and ultimately of the national income.



The Ninth Party Congress, a critical point in the historical process of building the socialist economy in Romania, opened up new prospects for Romanian socialist civilization. The progress made so far guarantees the entire Romanian people's inspired commitment to the selfless task of implementing the objectives of the 12th Party Congress and the National Party Conference, which will admit Romania to the ranks of the medium developed countries.

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## NEED TO IMPROVE WAGE SYSTEM STRESSED

Bucharest ERA SOCIALISTA in Romanian No 13, 10 Jul 83 pp 19-22

[Article by Univ Prof Dr Mihai Paroluta: "Improvement of the Wage System As a Component Part of the Policy to Raise the Living Standard"]

[Text] Equitable distribution of national income and the created material goods has been a concern of all progressive thinkers and the dream and hope of all exploited people for better things. The Utopian socialists were keenly interested in the problem. But Marxism and scientific socialism alone have found the solution to this complex problem, with its great economic and social implications, on truly equitable principles of social justice.

The nature and developmental laws of distribution relations were revealed for the first time in K. Marx' economic theory. He discovered the interdependence and interrelations between the nature and forms of ownership and the distribution system. On that basis, he demonstrated the exploiting nature of the capitalist production method and the injustice of capitalist distribution. He also outlined, in their essentials, the distinctive features of the distribution system in socialist society.

Distribution according to work is an objective economic law characteristic of socialist production relations that also creates the objective conditions essential to the action of that law. Of course this law does not operate automatically but through the intermediary of the purposeful factor. Therefore if the law of distribution according to work is to be correctly applied, its requirements and specific manifestations must be studied in depth. It must also be borne in mind that distribution is one of the important aspects of expanded reproduction and consequently requires the appropriate correlations between it and the other aspects of reproduction.

In the course of building socialism in various countries a wealth of experience has been acquired in practical application of the law of distribution according to work. Every socialist country now has a wage system that more or less conforms to socialist principles of distribution. Nearly all the socialist countries have continuously improved these systems in order to reflect the requirements of the law of distribution and the changes in the productive forces' development as accurately as possible. Moreover many studies and papers on this subject in the Marxist economic literature of both Romania and other socialist countries.

Romania, especially since the Ninth Party Congress and on the initiative and under the direct leadership of Nicolae Ceausescu, a number of improvements have been made in the wage system to make it conform as closely as possible to the requirements of the law of distribution according to work as an actual stimulant to the growth of production and labor productivity. Intensive promotion of socialist principles of work and distribution is one of the R.P.'s courses of action in order to achieve the fully developed socialist society. As the R.P. Program says on this subject, "The socialist principle of distribution will be consistently applied, everyone being compensated according to his work and contribution to the development of socialist society." This also includes the measures for consistent application of the principles of workers self-management and self-administration, improvement of the economic-financial mechanism and the wage system, and the pay raises in this five-year plan approved by the recent plenum of the R.P. Central Committee and the M.A.N. [Grand National Assembly].

From all economic activity was based on the principles of self-management, economic-financial self-administration, and actual transfer of all the property of each economic unit's disposal to its ownership, that threefold quality has been consolidated economically and legally. As K. Marx pointed out in "Critique of the Gotha Program," when the production means are socialized, "No one can give anything but his labor, while only objects of individual consumption can pass to the individual ownership." And he says further that "The producers' benefit is in proportion to the labor they supply." In fact, the socialist principle of distribution "from each according to his ability, and to each according to his work" is based on this.

The law of distribution according to work covers the entirety of relations of distribution of material goods and services that are formed among the united socialist producers in the process of expanded reproduction. The nature of this law objectively follows from the workers' threefold quality as owners, producers and beneficiaries, from the equal position of each member of society in regard to the production means, and from each one's equal right to benefit by the fruits of his labor.

The nature of the law also determines the criteria for distribution of the portion of the national income allocated to individual consumption, namely the quantity and quality of the work, the qualification, the working conditions, the social importance of the work performed, and the contribution to increased production, social progress, etc.

The closest possible correlation between the requirements of the law of distribution according to work and the socialist principles of distribution is no easy task. It depends upon the extent of knowledge and study of the specific manifestations of the requirements of this law under each country's particular conditions, as well as the ability of the subjective factor, the socialist state, to allow for them in revising its wage system. When we consider the process of revising the law in various socialist countries in retrospect, we find that all of them have been faced (and some still are) with a number of problems in connection with devising such wage systems that will both adequately encourage the united socialist producers to increase each one's contribution to growth of the national income and social development and also preserve the principle of equity that objectively follows from the nature of socialist ownership.

Experience shows that there has been a trend toward egalitarianism in the name of equity in some countries in certain periods which actually vices the stimulating aspect of the wage system and ultimately hampers the general progress of society. Other countries have unduly emphasized the elements of material incentive in devising their wage systems to the neglect of the principle of socialist justice, leading to an undue gap between large and small incomes that created contradictions and tensions between the various categories of workers as well as dissatisfactions among the masses. These two extremes actually indicate violations of the requirements of the economic law of distribution according to work.

The measures taken to improve the wage system were intended to make it conform as closely as possible to the requirements of the law of distribution according to work and to transform it into an effective incentive to increase production and labor productivity. The program quite rightly grants priority to improvement of the elements of the wage system that will encourage fulfillment and over-fulfillment of the planned production, improvement of product quality, increased exports, growth of labor productivity and reduction of production costs. These measures are also intended to resolve the contradiction, aggravated in recent years, between the contribution made by each member of society and the incomes realized and between the planned and the actual working time. The contradictions in the wage system weakened the material incentives, with bad effects upon labor productivity and product quality especially. This partly explains the declining trend of the growth rate of labor productivity and the deteriorating quality of some products in the first 2 years of the five-year plan, as well as the unsatisfactory effort to attain the planned parameters. To remedy these defects, the program and the decision of the plenum of the RCP Central Committee provide measures to improve remuneration for work and the principles of distribution of workers incomes so that the socialist principle of distribution will be firmly enforced and the incomes will directly depend on the work performed and its results. It should be noted that the improvement of the wage system also meets the requirement of the new economic-financial mechanism to coordinate its principles with the way the incomes are distributed.

Initially the wage system is a basic component of any economic mechanism. Experience in both Romania and other countries proves that there can be no economic mechanism that performs a stimulating role as a motive force in developing the productive forces and encouraging workers, both individually and collectively, to improve all activity including attainment of high levels of labor productivity without a wage system that will operate in those directions.

Material incentive and the fullest possible correlation of work performed and credits obtained with the level of incomes received are characteristic features of any socialist wage system and important requirements of the law of distribution according to work. As Nicolae Ceausescu said about this requirement at the plenum of the RCP Central Committee in March 1963, "Everyone must have incomes, and they in proportion to the work performed! Incomes must be in proportion to activity and results obtained in production." The very limitation of earnings and assurance of a guaranteed minimum regardless of the results obtained weaken the incentive in the wage system and prevent the united socialist producers from achieving maximum results. The measures in the program to improve remuneration and distribution of incomes provide for a faithful application of the socialist principles of remuneration in all activities as well as synchronization of every sector's activities to strictly economic criteria.

Naturally the question may be asked whether this requirement has not already been taken into consideration in the wage system in use in Armenia, and the answer, generally speaking, is yes. This requirement is clearly stated in the party documents and the law on remuneration for work. But there was a certain inconsistency in the wage system that permitted remuneration in certain situations not for the work actually performed nor for the results obtained but for the work program and physical presence in a unit. Actually we had to deal with a violation of the socialist principle of remuneration according to the quantity and quality of the work. Furthermore the principle of equal pay for equal work was often applied not according to results but according to the classification, giving rise to tendencies toward egalitarianism on the same level of qualification and classification and weakening the incentive aspect of remuneration, while the principle we are discussing does not call for standardization of incomes but their differentiation according to the results obtained. The new wage system remedies this legislative omission and introduces the principle, clearly stated in the program and the laws recently ratified by the MA, that no one can receive pay or share in the profits unless he works and that no one can have a guaranteed income unless he works and produces according to his job obligations and so we have to do with a radical change in that there will be no more remuneration for work according to the work program, but according to the time actually worked and the results obtained. This will provide for a close correlation between the wage fund and physical production, the commodity output sold and paid for, the export plan, product quality, the inputs of raw materials, materials, fuel and energy, etc.

The quantity-quality ratio, which expresses the content of the law of distribution according to work, and the proportion of each in remuneration must be analyzed dialectically. If the wage system is to retain its dynamic effects and stimulate social development, the remuneration policy must provide for an optimal correlation of these two basic criteria for distribution according to work in every stage of reconstruction of the new order. According to the requirements of the law of distribution according to work, each producer should receive from society exactly as much as he has given, minus the portion allocated to accumulation and other social needs of course.

On the part the wage system contained some elements that violated the principle of equivalent exchange and led to redistribution of the national income even in the stage of its distribution, because even if production was zero a certain percentage of the remuneration (about 75-80 percent) was assured whether the workers were collective or individual. This practice conflicted with the socialist principle of distribution. What is more, now required this system of granting remuneration without work or results as an element of socialism's superiority over capitalism, whereas actually it conflicted with the requirements of the law of distribution according to work, resulted in insufficient effort to raise the level of work or output during the, depressed period of labor productivity, and weakened the flexibility of the wage system in accordance with the real needs of production and the balance of supply and demand in every enterprise. This made it necessary to put on the part of the wage system for an equivalent exchange between what was consumed of society versus the usage of material and cultural values and services and what is produced on the use of material and cultural values and services. Despite this the distribution, according to results, according to the law of distribution according to work, was not fully in the final stage of the reconstruction of the new order.



How much of the remuneration due a member of society, depending of course upon his field of activity, is to be provided according to quantity and how much according to quality is a problem as yet unclarified in the economic literature and, I would venture to say, in practice as well, and it has prevented basing the wage system entirely on the principle of equivalent exchange. It is not just a theoretical problem as it appears at first glance. The effectiveness of the entire wage system to a great extent depends on how quantity and quality are weighed in accordance with the nature of the sector and the activity performed.

Does distribution according to results of work (physical production, commodity output produced, etc.) or according to the complexity of the work and working conditions automatically solve this problem? Obviously not. For this purpose I think distribution according to results of work, which is now measured by means of a system of natural and value indicators, should be supplemented with new factors such as the technical-operational parameters of the finished product, labor productivity, etc. Moreover a ratio should be found, as precise as possible and based on the principle of equivalent exchange, between simple and complex work. I feel this ratio has been based on inadequate criteria so far.

The measures to improve remuneration of all categories of personnel included in the program will considerably increase the importance of the qualitative factors. Thus both the net physical or commodity output produced and fulfillment of requirements for quality, material inputs etc. will be taken into account in remuneration for work, especially on the overall contract system. Moreover the recommended improvements will change the ratio between the two criteria of distribution, quantity and quality of the work performed. Whereas in the period of extensive development the quantitative criterion was predominant, with declining trends in its role in the Romanian wage systems in the last period, in the new wage system corresponding to the intensive development that characterizes Romania's present stage of socioeconomic development priority is given to the qualitative criterion, or the quality of the work performed. This coordinates the wage system with the developmental level of the productive forces and with the policies, aims and trends of Romania's economic development.

A problem that has been confronting nearly all the socialist countries is what the ratio should be between the constant part and the variable part of the total incomes according to work for the wage system to properly perform its material incentive function. One thing is certain. The base pay or salary is the main material incentive in any wage system, socialist or capitalist. The ratio between the base pay and the regular incentives is a problem of remuneration policy. According to the law of distribution according to work, the results of the work performed should be rewarded according to quantity and quality as well as according to the contribution to the national income. But how is that to be done?

In the wage system existing in Romania until recently, the base pay or constant part was the decisive factor (about 90 percent) as the material incentive for fulfilling tasks and for further improvement of qualifications. The use of supplementary material incentives was continually diminished and played a minor role in encouragement of producers. This weakened the material incentive function of the wage system in the last few years. Moreover some experts in the economy or writers displayed a tendency to curtail the material incentive solely in the

variable part of the pay, leading to the false conclusion that we have a limited range of material incentives and overlooking the fact that the salary or base pay is the main material incentive in all wage systems.

The question of the ratio between the results obtained through the supplementary collective or individual material incentives remains open because it is apparent that underrating the role of the variable part limits the possibilities of rewarding the outstanding results obtained by some workers, and phenomena of egalitarianism and indifference to maximum productivity on the job may result.

The wage system almost entirely confined to base pay had begun to interfere with growth of labor productivity and product quality. That situation is to be corrected by the measures in the program. One of the objectives is to increase the proportion of the variable part of working personnel's total incomes by raising the overall-contract addition, the payments from the fund for participation in production, the benefits from profit-sharing, the bonuses for outstanding performance, and the bonuses for savings in materials and manpower and for stimulating exports.

Meanwhile the overall contract system is becoming the main form of remuneration for work, considerably changing the ratio between the constant and variable parts of the total incomes received. The variable part will reach about 25 percent in 1985. With repeal of the guaranteed minimum and the ceiling on earnings, the base pay itself will become sliding and paid in direct proportion to the degree of fulfillment of the plan indicators set for the respective activity. This strengthens the material incentive function of the wage system, widens the range of individual and collective material incentives available to the workers councils, strikes a better balance between the two components of the wage system, and provides the necessary framework for more consistent application of the socialist principle of distribution in proportion to quantity and quality of work.

Demanding a more rapid growth of labor productivity in proportion to the average net pay is another requirement of the law of distribution according to work. As a theoretical problem, this requirement is correctly treated in the textbooks on political economics and in the economic literature in Romania. More recently, C. Popescu and S. Costache make a number of interesting observations about rationalizing the proportion between labor productivity and the population's incomes in their work "Considerations on Rationalizing Socioeconomic Development." While the objectively necessary correlation between growth of labor productivity and growth of the average net wage was well demonstrated theoretically, many problems arose in actual practice because a great many factors are involved in rationalizing it.

The party secretary general frequently pointed out that more intensive growth of labor productivity is the controlling factor for raising the national income and consequently all workers' living standard. Correct application of this law of vital importance to any wage system requires pay raises to be based solely on the savings made by increasing labor productivity. Therefore we can regard labor productivity as an end-parameter that cannot be passed without bad effects. Any violation of this correlation or more rapid increases in remuneration and incomes than in labor productivity raise production costs, which in turn require price increases.

Economic activity and the policy of raising incomes according to the law of distribution according to work and the laws of expanded socialist reproduction must always provide for more rapid growth of labor productivity than that of the average net wage. This is also an important way of lowering production costs and creating resources for development. Additional resources to raises the wages of those who do not work in material production are created in the same way.

The problem of rationalizing the ratio between increases in labor productivity and increases in the average net wage arises not only in the long range, for five-year plans, but annually as well. We can conclude that in general this law has been observed for the long term in Romania. The figures on evolution of labor productivity and of remuneration illustrate that. But if we analyze these problems for the short term, we find there have also been some years when the correct correlation was violated. In recent years, for example, the wage raises were not completely covered by the savings made by increasing labor productivity. This explains why the costs went up by the respective sums in some sectors and fields of activity because of the wage raise.

Strict observance of the said correlation is one of the measures in the program to raise wages. Accordingly wages will be increased in direct proportion to the extent of fulfillment of the indices of growth of labor productivity planned in each unit. Henceforth the increases in base pay will be differentiated according to enterprises and sectors of activity in proportion to the gain in labor productivity made by every unit. The correlation of wages with growth of individual and social labor productivity will be rationalized in this way in 1984 and 1985.

As Nicolae Ceausescu pointed out at the recent plenum of the RCP Central Committee, "All workers must realize that the living standard and incomes cannot be raised without much greater increases in labor productivity, efficiency, profitability and general development of the national economy." If this policy is strictly observed wage increases will no longer affect production costs, while growth of the national income will be dynamically coordinated with growth of the population's incomes as lasting conditions for the stability of prices and rates.

The series of measures in the program for consistent application of the principles of workers self-management and self-administration, improvement of the economic-financial mechanism and the wage system, and wage increases in this five-year plan provides the framework needed for further improvement of the present wage system in accordance with the requirements of the law of distribution according to work and ensures its coordination with the changes that have taken place in the development of the productive forces and in the structure of the Romanian economy. We have all the conditions for the new wage system to favorably affect the qualitative aspects in the future in all activities, in more efficient use of the labor force, and in the increase of labor productivity and of every worker's contribution to growth of the national income and to the general progress of Romania's socialist society.

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STATUS, PROBLEMS OF SMALL BUSINESS SECTOR DISCUSSED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 4 Jul 83 pp 18-24

[Article: "The Helpless Healer"]

[Excerpt] The First New Data

Until all these dilemmas in defining small business in Yugoslavia are clarified and cleared up, there remain the statistical calculations according to which at the end of last year we had a total work force of slightly more than 500,000 employed in 2,605 organizations and communities in the small business sector and slightly more than 200,000 privately owned transportation, commercial, hostelry and craft and trade establishments.

In the 2,605 small business organizations and communities in the socialized sector, the highest number was in Serbia--921 (609 in Serbia proper, 43 in Kosovo and 269 in Vojvodina), and then in Croatia--627, Slovenia--421, Macedonia--355, Bosnia-Herzegovina--216, and Montenegro--65.

These small business organizations in the socialized sector employed about 210,000 workers, which is an average of about 80 workers per organization. This is the first time that the statistics have presented figures on small business organizations in accordance with the criteria contained in the 1980 social compact, and comparisons with previous situations cannot have great value. It has often been the case that when the work force of a small business organization exceeds 200, it becomes a "large" one. Where a work organization will be classified depends on what was written down when it was registered, not on the essence of activity it is engaged in. Or, for example, in Slovenia there would have been considerably more small business organizations if they had adopted the general criterion of 200 employees instead of 125, the number stated in their own republic social compact.

There are figures on the self-employment sector for 1981, but they are not very detailed either. At that time Yugoslavia had 199,641 establishments or proprietors, and they employed another 98,310 workers.

These figures do not include private entrepreneurs in construction activities, since the statistics do not record them.

In the period 1976-1981 the number of establishments or proprietors in the private small business sector increased 13.4 percent, and the number of workers employed 39.3 percent. The largest increase, 117 percent, was for the number of private commercial establishments, but it is evident that this is really a matter only of 1,290 fruit and vegetable shops and similar small stores, which has almost no evident impact on supply in Yugoslavia as a whole. Yet this is an activity in which private enterprise has received its political visa for development only in the last few years, and we can anticipate that private shops will be multiplying at this pace for some time yet.

In the transportation sector, that is, common carriers, the number of proprietors has increased 53 percent over the same time. These are mainly taxi drivers, owners of trucks and owners of boats and small vessels for carrying freight and passengers. There are even a few private buses in Yugoslavia, but no one is clear as yet about the permits for their operation. Up until 1981 there was a particular increase in the number of private truckers and taxi operators. These were mainly workers returning from abroad who had bought a vehicle there and wanted to organize their employment in Yugoslavia with it. However, as can be seen from the reports coming in from the various republics and provinces, it appears that there has been a lag in development of these private activities, above all because of restricted consumption and higher prices of fuel.

The number of private hostelry establishments has also increased at a faster-than-average rate. Between 1976 and the end of 1981 the number of small cafes, coffeehouses, restaurants and the like increased by 3,548, or 27 percent.

#### Self-Employment Sector in Yugoslavia

Sectors	1976		1979		1981	
	Proprietors	Workers	Proprietors	Workers	Proprietors	Workers
Total	176,041	70,576	183,024	85,672	199,641	98,310
Transportation	30,185	545	37,565	667	46,106	968
Trade	593	20	485	47	1,290	448
Hostelry	12,937	13,027	14,317	16,403	16,485	19,315
Crafts and trades--total	132,326	56,984	130,657	68,555	135,760	77,579
Manufacturing crafts and trades	117,632	50,624	115,477	61,236	119,639	69,477
Nonmanufacturing crafts and trades	14,694	6,360	15,180	7,319	16,121	8,102

Usually when development of the private small business sector is evaluated, it is noted with dissatisfaction that new coffeehouses have been established at a rapid rate and new carriers registered, while the sector of crafts and trades which are supposed to account for and enrich that part of development which is anticipated from small business is stagnating. Over this period the number of



private craft and trade establishments increased by 3,434, or 2.5 percent: 1.7 percent for manufacturing crafts and trades and 9.7 percent for nonmanufacturing. In Yugoslavia 13 years ago there were almost 10,000 more craft and trade establishments than in 1981. Since that time the number of craft and trade establishments has now declined and then again increased, mainly for two reasons. One is that old crafts and trades have died out, and the other that the public policy (including tax policy and other things) has been changeable toward the private crafts and trades (toward the private sector in general).

At the end of 1981 Yugoslavia had 60 craft and trade establishments per 10,000 inhabitants. The figure varied from one republic or province to another: 113 in Slovenia, 62 in Croatia, 60 in Macedonia, 58 in Serbia proper, 63 in Vojvodina, 32 in Kosovo, 46 in Bosnia-Herzegovina and 27 in Montenegro.

#### Far Behind the More Advanced

All in all slightly more than 10 percent of the entire Yugoslav work force (public and private sector--but not including private farmers) is employed in small business. Of the 29,158 OOUR's [basic organization of associated labor] in the socialized sector of the economy 2,516, or 8.6 percent, are small business organizations. These organizations have a 4.3-percent share of the total work force in the economy, a 2.5-percent share of gross income, and a 3.7-percent share of earned income. As stated in the document of the Commission of Federal Councils, because of the one-sided conception of industrialization contained in development policy, and especially because the development of large industrial projects was favored, large production units are predominant in Yugoslavia's economic structure. Small business has been considerably less represented than it is in the case of the moderately developed and highly advanced countries.

Medium-sized and large organizations with a work force larger than 250 represent only about 1.5 percent of the total number of industrial and craft and trade units in Yugoslavia, but they employ about 72 percent of the work force and realize about 76 percent of the new value. Because of this markedly low share of small business in the production structure of Yugoslavia, the document states, its ability to adapt is weak, and there are also narrow bottlenecks so that capacities are underutilized and many needs for products included in the personal and social standard of living go unsatisfied. The lag of small business in the period which has passed has brought about structural disproportions in our economy's overall development. This has considerably detracted from its overall efficiency and competitive capacity and has had the result that an increasingly highly developed economy is displaying constant deficits of certain goods and services which--assuming appropriate division of labor, linkage and interdependence, from production to export--can be made up only by small business.

In analyses and discussions about small business it is usually said that the more advanced a country's economy, the larger the share small business has in it. Such views are obviously the consequence of a one-sided examination of the world economy, only of the top of it. The truth is, that is, that the least developed countries have only small business. That is so even today,

and that is the way it was at one time even with the advanced countries, whose large-scale industry and the rest of the economy grew up out of small craft and trade establishments and firms. That process of growth and development of economic capacities is also evident in Yugoslavia and has persisted up to the present day. Astute development, however, along with the development of large-scale production with large production runs and other very large firms and economic facilities, will also support the development of ancillary activities, very small plants capable of constantly adapting to the needs of the "large-scale" economy and the general public. The diversity and abundance of products and services furnished by small business is precisely what makes large-scale production more efficient, cheaper and better quality, and the standard of living of the individuals richer.

Yet it is a fact that the most highly developed also have the most advanced small business. In the United States 75 percent of the work force is employed in small business. Thus over the last 25 years the number of small enterprises has increased from 93,000 to 450,000, while during the seventies 90 percent of all the new jobs were created in enterprises employing fewer than 250 workers. In the United States a special "small business administration" has been formed, that is, an agency for organizing firms in this category. In municipal administrations, even in the smaller towns, there is a staff service or at least one civil servant assigned to small business [this phrase given in English in the original].

Much the same is the case in Japan as well, where 75 percent of production takes place in small business enterprises, which employ more than 81 percent of the work force (about 37 million people). More or less the same kind of development of small business is also true of the other advanced countries in Europe and the world. Notable development of small manufacturing and service facilities has occurred in recent years in the East European countries as well, especially in Hungary.

#### Lacking the Desired Role

By comparison with others Yugoslavia's results are very modest, and small business--as a component and supporter of general development--has obviously been neglected. At this point, when all this is as we have described it, and when we are preparing for a more intensive development of those activities, an equally important question is whether small business, what there is of it, is what is being constantly talked about and what we wish to achieve in its development. That is: dynamic and highly efficient facilities, a complement to the program of large-scale industry, workshops with highly adaptable work programs and high income and personal incomes for employees; are these plants with which the large-scale economy is collaborating and investing capital for its further development, do they enjoy public, material and political support, are they making use of the disoriented capital of our workers who would return from abroad, do they contribute to creation of more jobs and higher employment of the population, to improvement of the supply on the market, are they contributing to the maintenance and repairs of household appliances, automobiles, agricultural machines?... By and large the answer is negative to all these questions.

The majority of small business organizations in the public sector are engaged in industrial production and manufacturing. Most of them are in textile manufacturing, metal manufacturing and wood manufacturing. About 20 percent of the small business organizations in the socialized sector are engaged in rendering craft and trade services. Manufacturing organizations operate primarily according to programs which they themselves have devised, without cooperation or business collaboration with large systems in production or distribution. That collaboration is especially absent with respect to substitution of imports of parts and assemblies and also with respect to scarce consumer goods.

A majority of small business organizations are for all practical purposes doing similar things along similar lines as the large producers. In recent years their losses have increased slightly more than that of the "big firms," and the personal incomes of employees amounted to slightly over 9,000 dinars in 1981, which is about 7 percent lower than in the economy as a whole.

According to the recorded results of the private sector in 1981, common carriers on the average per worker-proprietor had a gross income of 424,000 dinars, a net personal income of 114,000, they paid taxes and contributions in the amount of 53,000 dinars, and they set aside 22,000 dinars for expanded reproduction.

Private hostellers on the average showed a gross income of 410,000 dinars, personal income of 118,000, they set aside 62,000 dinars for taxes and contributions and 15,000 dinars for expanded reproduction.

In the manufacturing crafts and trades gross income was 286,000 dinars, personal incomes 98,000, taxes and contributions 49,000 and expanded reproduction 9,000 dinars.

The poorest results were achieved by proprietors and workers in the service trades: annual gross income was 189,000 dinars, personal incomes 92,000 (an average of 7,666 dinars a month), taxes and contributions 48,000 and funds for expanded reproduction 4,000 dinars.

Many have suspected the authenticity of these results, according to which private hostellers and carriers are earning less than 10,000 dinars a month. The doubters take as their point of departure the price list of the private entrepreneurs--on which, for example, 500 dinars are paid to replace 1 rubber gasket on a washing machine, 700 dinars to replace a thermostat, 2,000 dinars to replace a weight on the same machine..., about 200 dinars to take a taxi for 10 km or so, about 15,000 dinars to paint a car, and so on. It is certain that there is some concealment of income, but it is also certain that many craftsmen and tradesmen are barely earning enough to cover overhead. A large-scale replacement of craftsmen and tradesmen is still under way in which many crafts and trades and tens of thousands of craftsmen and tradesmen are closing up their shops and attempting to find employment in the socialized sector. Many craftsmen and tradesmen have gone to work abroad over the last 15 years or so. There is also a replacement taking place within the same crafts and

trades. For example, many proprietors of conventional barber and beauty shops have given up the trade because the earnings were inadequate, but they have been replaced by hairdressing shops for young people equipped quite differently and with sound systems--and they are doing a very good business.

Some craftsmen and tradesmen are really in a position to become rich. This is the case in the crafts and trades and businesses where the demand for products and services is incomparably greater than the supply. In all of Yugoslavia, for example, there is only one real private manufacturer of plastic rowboats and power boats and gear and equipment for that type of vessel. He has all the business he can handle, and his prices are close to those abroad, since there are no samples or competition for many of his products in the country. We do not need more small cafes, and it is said that the owners are becoming rich. Of course, they are becoming rich, but precisely because "we do not need any more small cafes."

#### New Acquaintances

Recently the situation has begun to change a little. Mostly in that certain large producers are offering programs--actually individual parts--which they install in their products and are interested to have done for them by small workshops. Until recently the "big firms" were neither motivated nor compelled to enter into such transactions. They most imported parts from abroad. The shortage of foreign exchange, accentuated by the sociopolitical action for collaboration between big business and small business, indeed even with the private sector, has now brought many new acquaintances even in the sense that craftsmen and tradesmen are getting more solid and longer-term business, and the large producers are getting the parts they need. Those mentioned at the beginning of this have been the "Store" Steel Mill, IMV [Motor Vehicle Industry of Novo Mesto], "Crvena Zastava" and a few more, but now there are several dozens of these large industrial organizations seeking the services of small business. Now, for instance, the "METALSERVIS" commercial organization of Belgrade is offering office space, store fronts for craft and trade workshops, storage facilities, construction sites, programs and organizations--to have its production supplies manufactured.

Some returning from employment abroad have also obtained successful work programs, having noted abroad certain products or services which could be produced and sold successfully in our country as well.

The drive known as "1,000 small business programs," organized by the Yugoslav Bureau for Labor Productivity of Belgrade, is now under way in Serbia; visits under this program are being made to large work organizations, opstinas and local communities..., in order to survey the demand for products and services which associated labor and the general public are lacking and which would bring business and income to organizations and self-employed persons in the small business sector. It would be good for these programs to be sold in exchange for a share in the future profit.



## Concealment Instead of Praise

The conditions for opening an establishment and doing business through self-employment are at the heart of most of the problems concerning development of small business. It is a general assessment that proprietors of establishments and workers employed in them have been able and are now able to do a good business and make a living from their labor under the conditions of the weak competition and the high demand for the products and services they offer, such conditions as have prevailed up to the present time. There are technical problems in obtaining store space and work space in cities and industrial centers. Rents are high, and it costs too much to build a store, so that for numerous craftsmen and tradesmen it is practically impossible to obtain a store to operate for any sort of small service business (washing and ironing, optics, souvenirs and the like), but rather the stores are expected from the opstina, the local community, urban planning programs.... Somewhat greater problems arise concerning the purchase of raw materials and production supplies--in which the socialized sector has priority, and craftsmen and tradesmen get what is left. In recent years the private entrepreneurs have been wasting all kinds of time and money traveling through Yugoslavia and abroad and visiting steel mills, sawmills, chemical plants, electrical equipment plants, and the like--searching for materials essential to their operation.

Still more serious difficulties arise in connection with the payment and assessment of taxes and contributions. It is here that the current policy toward the private sector is manifested still more. Craftsmen and tradesmen and other private entrepreneurs have always complained about taxes. Now they usually say that the taxes are not insupportable, but the contributions for the self-managing communities of interest in the fields of health care, education, culture and other fields are too high. Nor is it even a question of the level of the taxes and contributions as much as the insensitive policy and system in this field, which have been an outright brake on operation and development. This is how the situation has come about in which the private entrepreneurs work until they realize a certain income, after that they show almost no further profit whatsoever whether they work or not. And, of course, they stop working, they let their workers go, or they don't declare the business they are doing. Instead of their being able to boast and advertise themselves as successful workers and proprietors, the people hide their income, cut back on their business and reduce earnings to the level of simple reproduction.

At a conference in May on the position and development of small business in Serbia the president of the General Association of Belgrade Craftsmen and Tradesmen offered several proposals and criticism of practice in this field on behalf of his association. He also spoke about the system of taxes and contributions. "We favor solutions in the field of tax policy," he said, "which will be conducive to development, and not merely to a collection of revenues, which will have a stimulative effect in the direction of advancement and will facilitate larger investments in equipment, creation of more jobs, and higher productivity. There is no need to fear enrichment in this connection--if the income earned is the result of work, especially since there exists in society the institution of the general income tax on individuals, which stands as a selector concerning all income over and above socially acceptable and socially



agreed limits. That policy should above all be selective and differentiated. We assert that those craft and trade organizations of associated labor and independent craft and trade establishments which are exclusively engaged in rendering services, especially services affording a low rate of accumulation, and whose prices are below economic prices and frozen--while costs are rising--cannot operate profitably. And that is why work on the sly is flourishing...."

#### Short-Term Exemptions

Actually private craftsmen and tradesmen are always on the horns of a dilemma--does it pay to operate aboveboard and to invest in development of their activity? They point out, for example, another injustice and illogical thing--that they have no tax exemptions whatsoever on the capital they invest in expanded reproduction, so that they must finance expansion of the shop and business and the purchase of new equipment out of net personal income, and for many opstinas this itself is a reason for raising the tax.

Many opstinas have established the practice of granting a partial or complete exemption from the opstina tax in the first year of operation to a private entrepreneur's new establishment, under the pressure and influence of the socio-political action for development of small business. However, after that period a tax policy that acts as a disincentive is resumed. Now a new practice is on the horizon. Certain opstinas are lowering their taxes and contributions on private entrepreneurs by 20 percent for every worker they employ. If they hire five workers--they are entirely exempted of all opstina taxes and contributions, which represents approximately one-fourth of what they pay for government and social services. "Exemption from the opstina tax of those who organize or expand activity in the self-employment sector," Mihael Misic, secretary of the Slovenian Small Business Association, said at a conference on small business held at Bled, "does not signify a reduction of revenues for the opstina. On the contrary, as the income and standard of living of the individual rise, his purchasing power also increases, and the opstina realizes a new gain from every article purchased."

#### Financing

When the question arises of financing small business, frequent mention is made of the large amount of capital, specialized bank funds for development of facilities of this kind, open lines of international credit which might immediately be used under favorable terms and conditions, and then the savings of our citizens working abroad which they are willing to invest to open shops or create jobs in Yugoslavia, and the capital of organizations of associated labor and opstinas with which they ought to help development of ancillary activities.... However, in practice there are almost no funds for development of small business, or at least they are available under rather difficult terms and conditions.

"Aside from the resources of small business organizations," a document of the Federal Conference of the SAWPY states, "funds for stimulation of the faster development of the economically underdeveloped regions, self-managing communities of interest for old-age and disability insurance of the independent

craftsmen and tradesmen and hostellers, and also the resources of the International Finance Corporation have an important role in financing small business."

Negotiations with the International Finance Corporation to open a line of credit were completed in late March 1980 for the purpose of furnishing capital from foreign sources to finance development of small business. The line of credit is for \$32 million, \$26 million which the corporation is furnishing from its own capital, and \$6 million through cofinancing. The line of credit can be used in equal amounts of \$4 million through eight Yugoslav banks. The repayment period is 12 years, the rate of interest 11.25 percent, and the period before commencement of repayment 3.5 years. The crucial condition here is that additional capital from other foreign sources must be furnished for use of the credit 'n approximately the same amount being furnished by the corporation.

An analysis of the SAWPY Federal Conference states that small business organizations do not possess capital of their own for performance and development of their activity and that they are compelled to use bank credit. Recently the banks have been involved to a greater degree in the credit financing of small business projects, but the credit terms and conditions (high rates of interest and short repayment periods) are not in line with the economic strength of these organizations.

In actuality the banks take an altogether indifferent attitude toward small business. There are few banks which have earmarked resources for the credit financing of these activities, while credits are granted under the same terms and conditions as to the entire economy. As for private entrepreneurs, they mainly obtain credit in banks just like all other individuals.

A report by "Beobanka" states that with some exceptions when a lower down payment has been prescribed between 50 and 20 percent, the regulations call for a mandatory down payment of the investor in the amount of 60 percent of the estimated cost of the investment project. Work organizations in small business, which as a rule have a low rate of accumulation and which are now compelled to commit almost their entire working capital to the purchase of production supplies, are unable to put up such a large share of their own and are compelled to refrain from any sizable investments in their development. At "Agrobanka" they have not up until now granted any sort of special credits to small business organizations, since, they say, until recently no one knew what was actually covered by small business. "Capital has been furnished and committed, that is, small business has received credit financing, in accordance with the general conditions in effect in business relations between the bank and users of the resources of society and between the bank and individuals (transactions with the general public).

A report of the Secretariat for the Economy of the Titograd Opstina Assembly states that "the Resolution on Montenegro's Socioeconomic Development provides for banks to set aside annually 5 percent of the growth of personal savings for credit financing of the development of all forms of small business. The limit set," it stated, "has not yielded the anticipated solutions for organized development of production, the crafts and trades and service activities,

since the agreement on development of small business in the opstina, which was supposed to synthesize and detail the individual obligations of all participants for organized activity in this area, did not take on life."

The best situation in financing small business is in Slovenia, where a majority of the banks set aside earmarked funds in an agreed amount, and there also exist banks specialized in small business. Conditions are good in some respects in Bosnia-Herzegovina and Vojvodina.

It is true that Yugoslavs working abroad have sizable savings, that many of the returnees would like to invest their capital to make a living in the homeland, and also that there would be many more returnees if this kind of undertaking were easy to carry out. The most purposive form for this kind of investment is for the returnees to import machines and equipment for their own establishment or on the other hand for the organization of associated labor in which they would like to be hired. However, although in all documents on the potential for development of small business and the crafts and trades we have set forth the great advantages of this type of financing, we have nevertheless set up an entire network of customs and other obstacles and limits to make this impossible. Not long ago our customs authorities explained that there are many violations in the importation of goods and that those importing machines and equipment for small business are among the most frequent violators. But the customs administration has already thought of a way of getting ahead of them--by more intensive investigation of current and purchase prices of those goods abroad, so that there might be cases when someone's workshop equipment might be confiscated a year later if the duty was not properly paid. The customs regulations are such that it makes a very great difference which industry or economic activity the equipment being imported pertains to or, when equipment is being imported for an organization of associated labor, what line of business that organization comes under. That is, this kind of importation is permitted for certain activities and industries, while for others it is not.

It seems that it would not be any kind of heresy to seek a full exemption from customs charges and restrictions for all imports of equipment to work with. Actually the government has in its regulations restricted imports to equipment which would increase employment of the population in the country, the social product, and also the revenues of sociopolitical communities.

#### The Dense Network of Regulations

In any case, small business is regulated in our country by 33 laws and another 20 or so instructions. In Belgrade, if everything goes smoothly, it takes about 2 months to open an establishment. Provided store space has been provided for. If a structure has to be built, it takes about 6 months to obtain the various permits and certificates. In certain other regions this process takes even as much as 2 years.

Now a uniform law on self-employment is being prepared in which all the solutions aimed at faster development of small business will be provided for. In the assembly committee of the chamber of opstinas for the social plan, economic system and finance it was recently said that the draft of this law ought



to be ready by fall. There is reason to expect that the new law will simplify the procedure of organizing self-employment and will regulate the essential issues concerning the status of the private sector, but in and of itself the law's separation of this sector from small business organizations in the socialized sector could hold those who are self-employed at the mercy of "parapoliticians" in opstina staff services and other places where decisions are made on their activities. After all, opstina officials, commissions, inspectorates and other agencies are even today convinced that they will make fewer political errors if they refuse a private entrepreneur a license to operate, if they do not allow him to expand his establishment and business, if they raise his taxes even exorbitantly, and if they refuse to recognize any of his rights. Private entrepreneurs have always been afraid of the opstina departments, officials, tax authorities and inspectors--regardless of whether they have been "at war or at peace" with them.

In his speech at the Bled Conference Marjen Rozic, member of the Presidium of the SAWPY Federal Conference, said that "remnants of the consciousness of bureaucratic officials in the administrative agencies of opstinas issuing operating licenses, burdened with the conviction that they are the custodians of the socialist system, have been the main source of resistance to the development of small business and have been in direct conflict with the commitments contained in the constitution. Often they drag out the issuance of licenses or even refuse them to people operating with privately owned equipment. At the same time we know of an encouraging example; in Gornji Milanovac a license for self-employment can be obtained in 2 hours, which shows that everything is possible if the opstina 'scribes' are willing.... Often the best intentions, initiatives and programs come to a halt before the civil servant on the other side of the counter and before the slowness of procedure, which sometimes seems like outright sabotage."

These matters were at one time elaborated in a convincing way and with a strong line of argument by Cedo Grbic, president of the Croatian Cooperative Council, whose address we presented in EKONOMSKA POLITIKA, No 1618. He said that the private sector in our country has not been eliminated from economic practice by the economy, but above all by the strong influence of dogmatic attitudes and ideological resistance to that sector. And that resistance is coming from those who want to preserve their petty monopoly in economic organizations, and in a tie-up with the sociopolitical organizations they are very active in casting suspicion on the private sector for all the sins and all the capitalisms. Most important, they are very successful in creating a political climate which encourages government agencies to undertake the relevant measures to restrict development of the private sector.

The private craft and trade establishment "Top-tin" of Zemun is in the business of textile printing and collaborates with several organizations of associated labor. It also had a successful year of business collaboration with another textile organization from Bosnia, until the director there realized that "Top-tin" was a private shop. He immediately informed the proprietor that even though they were satisfied with his work, there could no longer be any collaboration, since there was no place in his firm for private enterprise. This sounds like a good joke, but there are so many such "jokes" in every direction that this is a very serious problem.

How is one to account for this impression of a hypocritical policy toward self-employment in the private sector? One of the reasons is certainly that many people have been caught up in the drive to develop small business exclusively in the search of opportunities for higher employment of the population, that is, as a way of reducing unemployment in the country. They have not devoted much thought to the other aspects of this development. Yet small business is above all intensive, optimum and efficient conduct of economic activity in which economic laws in the domain of self-employment operate far more powerfully than in the socialized sector--where social welfare elements are increasingly predominant in the sphere of economic activity and risk.

#### Pressures Which Failed

This efficiency has even led to certain other "impediments" to development of the private sector. Wherever an establishment is well-organized and equipped and where a competitive production or service program has been adopted, it has quickly brought high income as well, and also (by our standards and conceptions) personal income to those operating the business and their workers. Occurrences like this, however, are almost as a rule a signal to obstinate authorities to take steps in order to bring down the private entrepreneur to the average level of his environment. Practically over the entire postwar period the self-employment sector has in this way been held at a low level. Numerous restrictions, a multitude of laws and regulations--which actually put limits on operation--have been conceived out of a fear of development of both the economic and social demonstration of private entrepreneurs and competition for the socialized sector. Yet this type of restriction maintains a certain number of craftsmen and tradesmen and other private entrepreneurs in a permanent monopoly position on the market, since there are few of them. This spiral continues in such a way that individuals actually begin to become rich out of all proportion, which evokes a still greater political pressure, and--still greater privileges. After all, it is the weakest who are first to give in to the pressure--those whose business was not going good anyway, and those who remain have still less competition than before.

At the Bled Conference Nenad Mileusnic, professor in the School of Organizational Sciences at Belgrade University, presented the datum that approximate computations have shown that at the lower limit optimum and comprehensive organization of small business could provide a total of about 3.8 million jobs in Yugoslavia. It is difficult to say whether this figure is right on the mark or on the high side, but there is no question that there is an important opportunity here for further development of the Yugoslav economy and for the economic position of the inhabitants.

If that kind of opportunity is to be realized, quite a bit of what he was referring to will have to be invested in small business. It has been evident that it needs material support for its development and other long-term incentives on the way to maturity. But it is still more important for it to have room for initiative and ideas for starting up businesses and that it be provided long-term stable business conditions. With respect to the self-employment sector there needs to be more conviction that the market itself will balance both the income and structure of activity in many other cases of excess



which are today so striking. Why, for instance, create political and other troubles for common carriers and hostelry establishments of private entrepreneurs (and such tendencies exist already) when the demands for their services will precisely reduce the number of small cafes and other things to the necessary measure. And perhaps those numerous little cafes will actually grow tomorrow to become a broad network for preparing hot meals and other food for the public.

The basic principle of socialism is that man's entire position must be determined by his work, and that all citizens have an equal right to work under equal conditions. If that principle is to be realized in Yugoslavia, we have to see that no one can be in a position and have the authority to prohibit someone else from working.

#### Contract OOUR's

The first contract organizations were established in Yugoslavia about 9 years ago and by and large they have been operating successfully up to the present. At first there was more interest in this form of business organization by private investors, and now there has been a certain slump in development of contract OOUR's.

Last year the largest number of contract OOUR's were in Serbia--59 (34 in Serbia proper, 13 in Vojvodina and 12 in Kosovo), and then in Slovenia--24, Macedonia 22, Croatia--16 and Bosnia-Herzegovina--14, while in Montenegro there are still none. There were slightly over 3,500 persons employed in these organizations.

Most of the contract OOUR's do plumbing and wiring and finishing work in construction (44 percent), and then come craft and trade services and servicing (35 percent) and manufacturing (15 percent). The rest are in the fields of hostelry and tourism, financial and related services, education and culture, and so on.

In 1981 contract OOUR's had gross income of 1,876 million dinars--55 percent more than in 1980, and growth was 12 index points higher than in the socialized economy as a whole. The rate of its reproductive capacity rose 10 percent. Average net personal income of persons employed in these organizations was 8,655 in that year (12 percent lower than in the entire socialized economy).

There were also losses. In 1981 they amounted to 75 million dinars. However, losses were recorded only by a few contract OOUR's. The largest losses were incurred by contract OOUR's for the production of finished textile products in Kosovo (67 million dinars) and in the construction sector in Macedonia (6 million dinars).

There have been several reasons for the lag in further development of contract OOUR's. Significant changes have taken place in the structure of ownership,

so that the private capital investments still represent only about 10 percent of the value of the assets of OOUR's. In Slovenia, for example, only one contract OOUR has been established in the last 4 years. Several causes are cited: the high rate of inflation, which has not given guarantees that the capital investments would be properly assessed and returned to the investors; unresolved questions concerning annual reevaluation of capital not paid off and the question of conditions and opportunities for reinvestment of capital to strengthen plant and equipment as the material basis of the business; the unresolved question of compensation of investors for successful economic performance, use of the net income remaining after personal incomes are paid, and then use of total funds for consumption and the payment of social obligations.

### Cottage Industry

Cottage industry is singled out as a separate type of activity within small business and refers to "making and finishing articles in which manual labor predominates and which working people do to make money primarily at home as a principal or secondary occupation." This group also includes the owners of 341,000 beds (1981) used to provide private accommodations to tourists in Yugoslavia.

In any case, about 60 organizations of associated labor in the country are engaged in the cottage industry and there are about 90,000 producers through organized production. It is estimated, however, that the number of those engaged in these activities is considerably greater, since many are not even registered, many work only occasionally during the year, and the records here are rather incomplete and unreliable.

### Small Business Center

During the conference on small business held in late May on Bled Mihael Masic, secretary of the Slovenian Small Business Association, represented the new Business Information Center in Ljubljana.

"Just a few days ago we opened the Business Information Center of Small Business as a permanent institution operating full time. What we will be doing is attempting to bring together in one place the offering of industry and trade for cooperation with small business. Industry and trade will offer subjects of labor--which up to now they have imported, made themselves, although they are not specialized in that work or those articles--which are not particularly attractive in terms of income for expensive technology or special articles which are incorporated into articles for export. Of course, it is the task of trade to offer those articles for manufacture which are not in sufficient supply or are altogether lacking on the market. The center will certainly be looking for cooperation of foreign partners as well who would offer their articles for industrial cooperation.

"Use can be made of this organizational form as a business information service by every Yugoslav working or wanting to work in the small business sector, small business work organizations seeking more lasting and firmer vertical links in their production and who want to specialize their operation, our workers employed abroad temporarily who are seeking work programs for their own self-employment or the possibility of pooling their labor and capital. Information will also be provided to all those institutions whose task it is to help in shaping new small business units and who are looking for appropriate and attractive work programs for the future units, and so on.

"The business information center will be equipped to provide information for business decisions concerning the purchase of equipment, investment possibilities, ties with foreign trading partners, opportunities for regular purchasing of production supplies, and so on.

"We must mention that this is a socialized organizational form which will be guided and managed by all the interested organizations through their delegates in the coordinating committee of the center, and they are the following: the Economic Chamber with all its associations and regional chambers, business communities, agencies concerned with creation of new jobs, the return of workers from abroad, more harmonious regional development, securing the physical basis for nationwide defense, specific aid to the less developed parts of the SFRY, a lower rate of economic migration, and so on.

"This certainly is not a Slovenian center, but our own Yugoslav center, open for all our organizations and citizens."

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#### Small Business and Nationwide Defense

At the First Yugoslav Conference on Small Business, held 25 and 26 May of this year on Bled, the role of small business in nationwide defense and social self-protection was examined in detail for the first time. It was emphasized that the Yugoslav Armed Forces have a broad network of workshops and plants in their garrisons, specialized facilities, departments and units which from a technical standpoint have all the features of small business. Yet there is a great interest on the part of the entire public for the civilian capabilities of small business to be involved and organized so that they can successfully meet military needs both today in peacetime and still more under the conditions of a possible future war.

Here are some passages from some of the statements made on this subject.

"The needs for the functioning of small business in wartime arise out of the conception of nationwide defense, according to which we carry on armed combat relying on our own resources--on the existing structure of sociopolitical organizations, sociopolitical communities and OOUR's, that is, on our sociopolitical and socioeconomic system. This also applies to territory temporarily occupied. The functioning of the economy in wartime will depend first of all on how prepared and organized we are and also on the type of aggression and

strength of the aggressor. It is probable that under wartime conditions we will not be able to use all large industrial facilities, which gives rise to the need to organize production and the maintenance of equipment in smaller plants, workshops, and even in the cottage industry, which would represent one of the basic and unique sources of supplying the armed forces and the population. This has special importance for total resistance, stability and resilience of conducting nationwide warfare." (Material from the Federal Secretariat for National Defense)

"If the capacities of small business for food production in hilly and mountain areas are to be economical in peacetime and effective in wartime, there has to be optimum organization of private agricultural production, which ought to be an integral part of small business; we refer to it as 'small-scale farming,' and it can offer large benefits.... Organization of the function of all factors in the production of food and the necessary facilities in the hilly and mountain areas should be based on the principles of economy and market conditions for these products on the domestic and foreign markets...." (Dr Nedeljko Jokic, Colonel in the Quartermaster Administration of the Federal Secretariat for National Defense)

Many other aspects of small business which can operate economically in peacetime and can be of inestimable use in a possible war were also mentioned at the conference. There was thus mention of generating electric power in mini power plants, the production of drugs and the gathering and packaging of medicinal herbs and other diverse activities and tasks.

7045

CSO: 2800/427

MISO BROZ SEES EXPORTS AS SOLUTION TO INA DEBT PROBLEM

Zagreb VJESNIK in Serbo-Croatian 16 Jul 83 SEDAM DANA Supplement pp 4, 5

[Interview with Miso Broz, vice president of INA, by Salih Zvizdic; date and place not given]

[Text] When INA [Petroleum Refiners and Sales Enterprises] coughs, all Croatia gets chills. Such approximately is the current foreign-exchange situation in our republic. The new measures connected with the method of debt repayment in Croatia are closely linked to the debts of INA. Specifically, by 27 August 1983 Croatia must pay foreign banks about \$300 million representing due or overdue debts. Of this amount, INA must pay about \$180 million.

What do they think about this indebtedness at INA? We interviewed Miso Broz, attorney and vice president of INA for coordination, in connection with this matter.

[Answer] The INA debt amounts to \$184 million, which we must repay by 27 July 1983, and \$251 million which we must pay by the end of this year. We clearly must pay this debt, and we feel that the only solution is for us to export a certain amount of petroleum and certain other of our products equalling the value of these amounts.

[Question] INA products are under the export ban or the export license system. In other words, you must have a license to export greater amounts than in the past. How do things stand in this respect?

[Answer] We have explained to the proper authorities just what is at stake and we have forwarded all the necessary papers. We will export an amount of crude petroleum at about \$200 per ton, as well as other derivatives such as straight-run gasoline; bitumen, aromatic compounds and artificial fertilizers. These exports will also have an impact on the domestic market. No one will have to forego his slice of the pie now provided by INA production, since the interests of our republic as a whole, not just those of INA, are involved.

[Question] Do you think that you will be issued an export license?



[Answer] This is a matter for judgment by the comrades who have the authority to make decisions in this matter. I personally believe that the correct decision is to allow export. To use the chess parlance of Comrade Ante Markovic, this is sacrificing quality to secure a better position.

[Question] In what sense is it a "better position"? What will happen if this INA debt is not paid within the period set?

[Answer] If we do not pay, we will start a vicious cycle. The first to feel the blow would be the Economic Bank, which is our bank. This bank would be illiquid because of the INA debts and debts for the electric power industry and for roads. The effect would then be passed along to the banks in Croatia, which would be able to cover their own liabilities but not ours. The effect would move along to the National Bank of Yugoslavia, which would pay the debt, but in reality it would again be we who would have to pay, but now under difficult conditions, since the access of INA to foreign exchange would be blocked until this debt is paid in foreign exchange to the National Bank, and in addition we would bear the entire burden of the exchange-rate differences between the dinar and the dollar. This would be very costly, and no one wants this situation to arise, for the additional reason that it would have an impact on production. The point is that we would have to apply to repayment of this debt the foreign exchange which we now invest in production, and production would have to wait. And calculation shows us that the funds required for keeping up production represent only one-third of the value of the production lost if these funds are not available. This is the better position I mentioned.

#### The Lesser of Two Evils

[Question] INA Commerce is said to be making an analysis to determine how much could be exported to ensure minimum impact on the domestic market.

[Answer] That's right; this analysis is a crash project. Today and over the next few years INA will have to export more, since it is not in a position to discontinue its construction investment even when petroleum imports to balance the energy budget of the country are excluded. The requirements of the INA production organizations for reproduction materials amount to about \$250 million a year, and for each of the next 3 years we will have a debt of \$250 million, with this amount decreasing considerably later on. Consequently, we must export to ensure coverage of all the obligations of Naftaplin and, above all, payment for participation in joint petroleum extraction ventures in Angola and elsewhere, and thus for reproduction materials for this large labor organization, which has the prospect of tripling the current production of some 3 million tons of petroleum within the next 7 years. Hence the payments are those of INA as a whole, of the combined associated labor organization.

[Question] Will petroleum exports unbalance the energy budget of the country?

[Answer] They will; petroleum exports will really disrupt the energy budget of the country, but failure to make such exports will disrupt the foreign-exchange budget of the country, and at the present time we must choose the lesser of the two evils. We must consider carefully what we are to export.

Let us say that artificial fertilizer is not to be exported so long as an imported component accounts for the bulk of its structure, since such exports would merely be a shuffling of resources. But we do have other products which we can well afford to export. Production also impels us to export. For instance, we have been working the Molve gas deposit for only 2 1/4 months, since we have not had the necessary equipment. An eruption of disastrous proportions very nearly took place there. The National Bank has now provided us with \$8 million for Molve, but we will have to wait 4 or 5 months before the transaction is completed. Two wells there have now stopped producing along with them. Of course, this will result in a decrease of as much as 40 percent in the supply of gas.

[Question] A few years ago INA was a major exporter in Croatia. What has happened to make exports decline all at once and to keep on declining?

[Answer] About 3 to 4 years ago we had exports of about \$180 million a year, chiefly in the form of straight-run gasoline, aromatics and petrochemical products, predominantly to the West. Then we had to reduce exports to meet the needs of the domestic market, so that this year exports representing only \$54 million are planned. They move chiefly through local border traffic for the purpose of securing spare parts, various additives for the production of gasoline and oil, and whatever else is needed in exchange for the exports.

#### Small Return on Pooling

[Question] Great efforts are said to have been exerted in INA to obtain foreign exchange by pooling resources and by other means, and not just by exporting petroleum and derivatives. What has been accomplished thus far in this respect?

[Answer] We have invested several billion dinars in the development of tourism, and we should have earned about \$50 million from the investment. We should have, but we didn't; we made only about \$2 million. Our entitlement was prohibited by the "minor" foreign-exchange law and by the new amendments to the main foreign-exchange law. Some foreign exchange for corn exports was obtained through pooling of resources by the fertilizer factory in Kutina and agricultural combines throughout the country, and we anticipate better results in this respect in 1983 and the coming years. In addition, as a result of the commitment made by our INA Project and the new organization resulting from integration of the former INA Engineering and Industroprojekt in Zagreb, where about 1,400 engineers and technicians are now employed, bright prospects are created for engagement of this powerful organization in execution of work under contract abroad. We have high hopes for INA Project. It may start up some of its operations abroad within a month or two. Foreign exchange can also be obtained by pooling resources in accordance with Articles 67, 68 and 69 of the Foreign-Exchange Law, since there is no export product made by other manufacturers which does not involve a petroleum derivative, a petrochemical product, or another product based on petroleum. In this way, others export our output, and it is only right that our slice of the foreign-exchange pie, however small, be given to us to be used in expanding production. We are working in this direction, although we are far from reaching our goal.

[Question] You have invested in foreign tourism. To what extent have you succeeded with it?

[Answer] Yes, I had almost forgotten about it, our tourist network in London, Rotterdam and Brussels. There we have "F. Phoenix," which is a member of a holding company of which we are joint owners. It does excellent work; in 1983 it will bring about 20,000 tourists from these countries to Croatia.

[Question] It has been agreed that INA will not undertake new investments except in work connected with prospecting and extraction of petroleum and gas. What is the situation as regards the new artificial fertilizer factory in Kutina and DIN in Krk?

[Answer] Construction of both factories is nearing completion, and both will most likely be finished and start operation this year. The entire process has been slowed down somewhat by the shortage of foreign exchange. As you know, the poor man pays the most. There will be difficulties at DIN in connection with straight-run gasoline, which we currently export for raw materials for some of our factories. We must divert this gasoline to Krk, and the raw materials will reach our factories from this source.

#### Society Receives, INA Pays

[Question] I must point out that you have unused refinery capacity, as much as 5 million tons of excess capacity.

[Answer] We can't go into this in detail; all I can tell you is this: We actually have a 15-million-ton primary processing capacity, but 5 million tons of the capacity is obsolete and technologically unsuitable, since there are no auxiliary structures for utilization of these derivatives. If we did not have the new capacities, our refineries would process petroleum in such a way that we would have about 25 percent gasoline (white derivatives) and all the rest would be black derivatives (fuel oil and so forth). Then we would have to import more petroleum, and processing would take place at a lower technological level. Society has received the full benefit of construction of new capacities, and INA is paying for them. That is, of the 10 million tons of capacity, 7.5 million tons are used in processing domestic and imported petroleum, and 1.5 million tons are used in finishing output for foreign customers. Our analyses of the capacity-utilization factor yield excellent findings. It is not the capacities which create losses for the refineries but the petroleum imports which have been needed to provide an energy source for the country and also to keep the refineries in operation.

[Question] With petroleum, our republic speeded up its development 10 years ago, and later this same petroleum, domestic and imported, has burdened us with heavy debts. But that is water under the bridge. What is your view of the future of INA in the context of the foreign-exchange difficulties and stabilization difficulties in general in the country?

[Answer] I can say with confidence that INA is very forward looking and that all our efforts will be bent toward paying our debts and increasing the production of oil and gas. To this end, we expect the full support of society, which must not close its eyes to facts. At the moment, the solution lies in exporting petroleum and its derivatives, since there is no better one.

[Question] The people of Vojvodina have also requested approval for exports of wheat and corn. Do you know what has happened to this request?

[Answer] It is my understanding that their request has been approved. They need foreign exchange with which to pay certain debts and to increase their own production. The same logic applies in their case as in ours.

6115

CSO: 2800/389



## CONSEQUENCES OF RISING INTEREST RATES EXAMINED

Zagreb START in Serbo-Croatian No 375, 4 Jun 83 pp 16-18

[Article by Vladimir Slijepcevic]

[Text] Last year, Hemijska Industrija (Pancevo) paid out 1,808,000,000 dinars for interest expenses. Thus, each month 16,587 dinars was paid out for interest expenses for each worker employed. A worker's average monthly net income during that year was 13,865 dinars. So every month, 2,722 dinars more than each worker's pay check went out to pay interest charges. In short, the amount of interest would pay for the individual incomes of the 10,870 workers of the Federal Organization of Associated Labor [SOUR] of Hemijska Industrija (Pancevo), for all of 1982. Is our economy as a whole capable of bearing such a burden of interest charges?

In the Production and Trade Combine SOUR of Tuzla, expenditures for interest payments increased 71 percent during the first 9 months of last year. During this same period, interest payments "consumed" approximately 268.5 million dinars. In the last quarter, the growth of interest expenses increased even more.

According to incomplete data, 360 million dinars was paid out for interest for all of last year. But this is only the average for the combine. Some work organizations from this SOUR paid seven times more for interest last year than for 1981. It has been calculated that the SOUR will pay approximately 600 million dinars for interest this year, more than twice what was paid last year.

The Duro Dakovic SOUR of Slavonski Brod paid 130 million dinars in 1981 as the difference between active and passive interest rates (the difference between interest paid for money borrowed and the interest which was received on money deposited at a bank, or given in credit to approved customers). Last year this negative difference between interest paid and income received from interest amounted to 620 million dinars for the SOUR, or almost 5 times as much as the year before. It has been calculated that this year 750 million dinars more will be paid out in interest than is collected in interest.

And here are some possible comparisons. Duro Dakovic paid almost three times more in interest last year than it set aside in the housing fund. Or, interest charges amounted to 30 percent more money than was put aside for the business fund.



Stories such as these can be heard in the great majority of work organizations. The economy of the SR [Socialist Republic] of Croatia paid out 60 percent more in interest last year than in 1981. This is the result of a huge increase in interest rates charged on borrowed bank funds last year.

In the example of the Zagreb bank (and the story is the same at other banks with minor differences), we will see how rates have increased. We will look at the increase in rates in the most expensive form of credit--short-term rates for credit to the production work organizations, because this is enough to see what the trend is. During 1981 and the first 2 months of last year, the interest rate was 12 percent a year. For those who could not pay off their loan on time, the rate was increased by 4 more points (the so-called late charge). At this time, ours did not receive interest on money they had on deposit at banks.

After 1 March 1982, the rate was increased to 16 percent, and the late charge to 8 percent. OOUR [Local Organizations of Associated Labor] received 1 percent interest on their demand deposits.

In October of last year, there was a new increase. The interest on short-term credit was increased to 20 percent. Those not paying on time paid another 5 percent in late charges.

The latest jump occurred on 1 February of this year. Interest on short-term loans increased to 30 percent. OOUR received on their demand deposits 4 percent. Thus, interest rates had increased 2 1/2 times over an 11-month period.

There has been much heated debate for years in our country concerning the interest rates on bank loans to associated labor. On one side are those who think that rates have been high up to now because banks have been lending them their own money. Since work organizations in our country take care of 86 percent of their working capital requirements with credit, and banks multiply their money available for lending by the credit-deposit relationship, it turns out that the real interest rate is three times greater than the nominal. Going by this line of thinking, the current interest rate on short-term loans is not 30 percent, but 90 percent.

On the other side are those who maintain that interest rates here have been low, lower than the rate of inflation. Because of this, they think that it pays to get a loan because inflation is continually eroding the value of the money which has been extended on credit. They see a large part of our economic troubles as the result of having interest rates lower than the rate of inflation--above all, the excessive level of indebtedness and poorly thought out investment practices. For these reasons, they are in favor of the so-called real interest rate, an interest rate which will be at least equal to the rate of inflation.

It is apparent that the second side has been victorious. With the latest increase, interest rates have even jumped above the rate of inflation expected for this year. (Nowhere has it been recorded how high the inflation rate might be this year, as has been done in previous years, but a semiofficial, ball-park figure might be 20-25 percent).

Much has been said in defense of the interest rates which we have now. Those in favor of them are both high officials of our bank hierarchy and news commentators. These interest rates, so they say, will introduce order into our economy, cut out the weak and those low in productivity, but will not harm the strong. Defenders of the high rates cite a document which was also verified by the 12th LCY Congress, "Prerequisites For a Long-term Program of Economic Stabilization," and the first offspring of the program, "The Anti-inflation Program." The orientation of these two documents allegedly agrees with the one taken by those who defend high rates. Let's take a look at what is written in the documents.

In "The Anti-inflation Program" the following is written: "...Therefore, the position that in the long-term economic stabilization of the Yugoslav economy it is necessary to break with the policy of negative real interest rates, and to normalize the functioning of the interest-rate mechanism, is supported. Moreover, it should be kept in mind that adjusting interest rates to the existing level of inflation, taking into consideration the great difference between the two rates, might be a powerful blow to the economy during the transitional period when it is already overburdened by other obligations which originated from the implementation of the anti-inflation program. Our economy is heavily in debt because of the former relationships in financing, and this additional interest-rate burden might be a blow which the economy might not be able to withstand. Therefore, the relationships between the rate of inflation and interest rates must be normalized primarily by lowering the rate of inflation during the transitional period until the end of 1985."

Undoubtedly it can be said that what was anticipated in the anti-inflationary program, that an additional interest-rate burden would be a blow against the economy which might not be withstood, is becoming a reality. Examples from the beginning of the article also indicate this.

The "Anti-inflation Program" also says that inflation should be adjusted to interest rates, but not interest rates to inflation, as is being done. How can this be achieved? Here are the thoughts of Dr Lazar Majstorovic, director of the Internal Bank of the Hidrotehnika SOUR of Belgrade: "High interest rates only stimulate inflation, and this is so-called cost inflation. Whether we like it or not, interest is a figured in cost, expressly visible or invisible; it is all the same whether it is a question of a housing unit, a ton of coal, meat, wheat, and so on, it will cause an increase in prices, because everyone will try to pass this interest expense on to someone else, as an additional expense" (PRIVREDNI PREGLED, 507, 3, 1983). Thus, there is this pressure on price increases in addition to all the others. These demands for price increases by producers are most often a defense mechanism. The producers are protecting their income which is continually being both diverted from their pockets and made less valuable. And more and more often they are protecting their bare existence, because what is intended for personal income becomes less and less. Thus we only stimulate inflation with high interest rates, instead of reducing it.

So why have we raised interest rates so much? It is no longer a secret (because it has been published in the public media) that higher interest rates are one of the conditions which the IMF has dictated to us. In return, we receive "in-

ternational financial support for our stabilization program," which amounts to approximately \$4.5 billion. However, it is worth noting, so the whole truth be known, that the IMF sought even higher interest rates. We did not agree to this. Indeed, the IMF seeks higher levels of interest rates as an integral part of a number of restrictive measures from all those it helps in improving the debt situation, regardless of the social disposition of the country. Of course, the question is how much is to be gained from such a strict package of monetary measures which the IMF requires. A number of quite prominent economists, even some in the West, are skeptical of the amount to be gained. After all, high interest-rate policies in the United States did not give the expected results, and they were instituted under conditions in which the banks have a different role and in which the monetary and credit mechanism functions somewhat differently. It is hard to believe that these policies can produce results in our country in which business is simply forced to obtain credit by the existing system in order to be able to finance current production. To refrain from the use of credit means that one must stop production. And this is more expensive than the cost of credit no matter what the price.

The list of the consequences of such high interest rates has not been exhausted by those described above. The use of credit is at least reduced, and OURs are too overextended to borrow money. It might be said that this is good, that the intention has been realized. But undisciplined financial behavior increases because of the lack of one's own funds. Those in debt cannot pay, the chain of mutual indebtedness and claims for repayment become more and more entangled. Nor can the banks collect payments they are entitled to on a regular basis. For example, the Zagreb bank collected only 65 percent of the due and payable interest charges in the first quarter of this year.

The projected revenues of the banks are also threatened by irregular payments and inhibited loan demand. And banks face the danger of operating at a loss and not being able to cover expenses with revenues earned. In cases such as these, those who float the banks--the OUR--pay a fee in order to cover the loss. What has not been collected in interest charges is subsequently paid for.

Considering that these interest rates are not our choice, but that they are something we have accepted, it will not be a simple matter to change them. What should be done in this situation to lessen the burden on the economy, a burden it is barely able to withstand?

And the banks themselves are seeking a way out of this. The Executive Council of the Associated Ljubljana Bank, a little more than 1 1/2 months ago, concluded that "interest rates must be used in a more flexible manner" in order to encourage OURs to take out loans and to realize projected revenues. At the last meeting of the Zagreb Bank parliament, the decision was made to lower rates for so-called selective purposes (for financing exports, food production, etc.).

At the 10th Plenum of the Central Committee of the Croatian LCY (held on 6 April), several suggestions were made by Dr Ivo Perisin, a university professor, the writer of many books and studies on banking and financing, and at one time the governor of the National Bank of Yugoslavia. First of all, Perisin seeks to consolidate the enormous indebtedness of OURs. He then seeks to incapacitate all credit-deposit and transformation maneuvers. He proposes that the



entire monetary management of OOURs be integrated into a unified whole. (In other words, now every OOUR has many transfer accounts. That which is in the general account into which come all payments and from which payments are taken out for expenses is used for working capital. Occasionally, money from the reserve fund is used for working capital, so that it is temporarily transferred to a checking account, and then it is again returned to the reserve fund account, and so on. But money in the housing fund account, the account for communal use for other purposes, and the general people's defense fund account, cannot be used for working capital and are often immobilized. This forces and OOUR to take out a short-term loan for the financing of current production even when it has money in these accounts.) And finally, Dr Perisin proposes that the interest on short-term loans be calculated according to a system of interest per day, and not, as is done now, per annum, by which the interest-rate blow would be reduced. (In other words, the debtor now pays interest on the entire amount of the short-term loan for the entire period for which the loan has been approved, regardless of whether he immediately begins to use the entire sum or just a part of it. According to this proposal, the debtor would pay interest only on that part of the loan which he is using, and only for the days that the money was used. This is, after all, the way the commercial banks in the West figure interest.)

In considering all the consequences of higher interest rates in our country, there is one more about which something needs to be said. We again quote one of the aforementioned documents, this time "The Prerequisites of a Long-term Program...." It reads: "The necessity that the workers of an OOUR control income must be understood as an immediate problem, and not as some distant, historical goal. Starting with the existing state of affairs, and the modest participation of workers in income decisionmaking as a whole, every measurable increase in participation of an OOUR in income is a step forward, but we dare not stop at this."

But this step forward has not taken place here. The proportional share of OOURs in income is decreasing. In 1975, OOURs had 64.6 percent of acquired income, in 1979, 61.2 percent, and last year the figure was 60 percent of income. Interest charges on loans have taken away their share and helped impoverish OOUR. Money which goes for interest has grown four times faster in the last 2 years than has net income in the Croatian SR.

Thus, a larger and larger share of accumulation passes from the OOURs and eludes the control of the direct producers. In "The Prerequisites..." it says: "The increase in accumulation by means of credit-deposit relationships was one of the basic focal points and generators of inflation during the last development period, with all of the familiar negative consequences for the stability of economic trends.... That is why to solve the problems in the system of accumulation, especially the problem of its formation, it is especially important to study the self-management transformation, the relationship of the OOUR of the independent credit and banking system to the workers."

None of this has been done yet. Nor has anything been done to reduce the indebtedness of the OOUR, to bring down the need for loans to a reasonable level. Interest rates only go higher. Are we strengthening the position of the banks even more by doing this?

The relationships have not been changed, the role and the power of banks has not been reduced. But banks are no better off than they were. The rows of figures thrown out by bank computers indicate that interest rates should be still higher in order to cover bank expenses. It is not only that the money which the banks are lending is more and more expensive, but the banks are paying more and more for funds. The savings of the general population make up the greatest share of sources for bank money--20 percent on average. It is the most expensive money for banks. In addition, several consecutive devaluations, and the rapid slide of the exchange rate of the dinar at the beginning of this year have created enormous exchange-rate differences in banks, differences which they can no longer cover.

Dr Slobodan Komazec, a full professor at the law school in Split, says: "We should not allow--as has been the case up to now and which may increase even more--our interest rates to be higher than the growth rate of income because a certain form of exploitation of the direct, associated worker will appear with a system of unearned income (PRIVREDNI PREGLED, pp 2-4, No 4, 1983)."

Where does that money go, then--at least a part of it--which is transferred away from workers in associated labor in the form of interest? The Associated Ljubljana Bank can be used as an example to demonstrate. When foreign-currency savings which were collected at this bank last year are expressed in dinars, the amount increased by 50.3 billion dinars, or 41 percent, over the year before. After a little digging, however, it turns out that real savings grew 6 percent, or 7.5 billion dinars. The dinar value of the foreign-currency savings accounts grew 35 percent because of the devalued dinar and assigned interest.

This is confirmed by the total account. In the discussion at the 10th Plenum of the Central Committee of the Croatian LCY referred to earlier, Dr Ivo Persian stated that the value of foreign-currency savings accounts will grow 280 billion dinars (new dinars, of course) this year based on the decline in the value of the dinar and assigned interest. And this figure is more than one-third of the value of individual incomes which were paid out last year in the Yugoslav economy. Of course, a large proportion of this sum is distributed among millions of small savers, and the problem does not lie with them. It is another matter entirely, however, with those who have foreign-currency savings accounts with six figures. For example, the interest each year (in marks according to the current exchange rate) on "savings" of 100,000 West German marks is equal to an individual income of approximately 30,000 dinars a month. And this is without taxes and any sort of fees, because in our country taxes and fees are paid only on work income. Social problems with political consequences can appear because of this.

We have not been successful in solving the first problem--so that accumulation is not transferred away from workers, so that it is not created nor multiplied in banks on the basis of credit-deposit relationships--and the second one is new to us. A part of the work income of production workers is being moved into the pockets of those who have money. If these tendencies continue, the aspirations of the owners of large accounts might grow--the limits of our social and political system might become too narrow for them. They will very aggressively strive to see their capital bear fruit as quickly as possible, they will act by the logic of capital.

And this is a much more serious question than whether interest rates in our country are real or not.



## YUGOSLAVIA

## NATIONALITY STRUCTURE OF EMPLOYED PERSONS IN KOSOVO

Pristina JEDINSTVO in Serbo-Croatian 22 Jun 83 DELEGATSKE NOVINE supplement p 5

[Excerpt] According to the data from the Provincial Bureau of Statistics, the national structure of the employed workers in FAP [Priboj Automobile Plant] Kosovo on 30 September 1980 and 1982, was as follows:

Year	Total	By Nationalities						
		Alban	Serbs	Monteneg	Turks	Muslims	Gypsy	Other
1980	176,394	114,592	45,183	7,447	2,246	2,729	1,976	2,222
%	100.0	65.0	25.6	4.2	1.3	1.5	1.1	1.3
1982	192,234	129,132	45,389	7,067	2,445	3,636	2,408	2,157
%	100.0	67.2	23.6	3.7	1.3	1.9	1.2	1.1
	Population	Nationality			Structure		%	
	100.0	77.4	13.2	1.7	0.8	3.7	2.2	1.0

These changes in employment and the population's nationality structure, reflect the numbers of: newly employed, retired, and of those who terminated their employment for any reason (migration, natural causes, etc.). Therefore, the difference in the number of employed that occurred between 30 September 1980 and 30 September 1982, represents the total impact of inflow and outflow of those employed, thus all the elements causing the employment fluctuation.

It is necessary to emphasize that in the total number of employed on 30 September, according to the statistics, were included workers of firms or their branches in Kosovo, whose home offices are outside the province, as well as some short-term employed (seasonal workers).

It is also evident from the table above, that as the result of a sizable migration from Kosovo, a higher rate of retirement, and other factors causing fluctuation in employment, the number of employed Serbs and Montenegrins, is obviously declining. Otherwise, in the rest of the employment process, a responsible nationality-equality policy was implemented.

Finally, for a more complete review of the national structure of employed workers, within, and outside the province, the document gives the employment structure situation as of 31 March 1981. The tables also show that of the total number of workers from FAP Kosovo, employed in other republics and FAP Vojvodina, 51 percent are Albanians (9,705), 37.0 percent are Serbs (7,040), 2.4 percent Montenegrins (448), 6.5 percent Muslims (1,241), 0.1 percent Turks (21), 0.7 percent Gypsy (138), and 2.3 percent are other nationalities (447).

According to the data by the provinces Self-managing Interest Community for Employment [SIZ 27,947 persons were employed through the actions of SIZ.

These data also show that, during employment mediation, the SIZ, followed agreed-upon policies and criterias, determined in social agreements on employment. For instance, of 14,980 employed during 1981 through the SIZ Associations, 75.3 percent are Albanians, 16.9 percent are Serbs, 2.6 percent Montenegrins, 1.1 percent Turks, 2.1 percent Muslims, and 3.2 percent other nationalities. In 1982, of the total number of employed, 74.7 percent are Albanians, 16.6 percent are Serbs, 2.1 percent Montenegrins, 0.6 percent Turks 2.5 percent Muslims, and 4.4 percent are of other nationalities.

According to data of the province's SIZ, at the end of 1982, employment was sought by 79,450 individuals. It is evident, from the given review, that the number of unemployed is on the rise, and that it approximately reflects the nationality structure of the province. However, concerning unemployment, it is necessary to emphasize, that it is more critical in the FAP Kosovo, than it is in other republics or FAP Vojvodina, and that it poses the largest single sociopolitical problem, whose resolution absolutely requires help from the rest of the federation.

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